THE 50 LARGEST INTERNATIONAL MANAGERS

Fixed income fuels growth

By Marlene Givant

Despite positive international equity performance and strong new flows into the asset class during the year ended March 31, international and global equities managed by the top 50 international investment advisers declined during the period.

If it were not for substantial growth in fixed-income accounts (to $9.621 billion from $6.8 billion), total international and global assets managed by the 50 advisers also would have decreased in the period.

The drop in equities to $38.235 billion from $39.009 billion puzzled industry experts but could stem from several factors, including the withdrawal from equities by some very large pension funds following Oct. 19, the loss of market share among the top 50 managers as domestic managers gained international business, and inaccuracies in figures firms reported the previous year.

After nearly doubling in the year ended March 31, 1987, U.S. tax-exempt assets in accounts with international and global mandates rose only 4.5% to $47.865 billion as of March 31, from $45.809 billion 12 months earlier, despite a flood of new money invested in 1987, according to the Money Mover Scorecard (*Pensions & Investment Age*, Feb. 8).

Assets in global accounts, which may invest in the United States, increased 8% to $9.49 billion vs. $8.762 billion a year earlier.

International accounts, which may not invest in U.S. investments, increased about 3.6% to $38.374 billion from $37.047 billion. Global accounts remain a small fraction of total equity assets but represent more than a third of fixed-income assets, up from 30.4% a year earlier.

The top four managers in last year's survey — State Street Bank and Trust Co., J.P. Morgan Investment Management Inc., Capital Guardian Trust Co. and Morgan Grenfell Investment Services Ltd. — held their standing in 1988, although assets of all the firms except State Street decreased.

The top two fixed-income managers among the top 50 — First Chicago Investment Advisors and WorldInvest Ltd. (former BA Investment Management International Ltd.) — run more bonds than equities with $1.482 billion and $1.148 billion, respectively, in fixed income.

Among all managers, Boston-based State Street for the second year led the rankings of combined global and international account assets, gaining 24% to $4.031 billion from $3.249 billion the previous period.

The gain represents a slowdown from the previous year when its assets more than doubled. Still, growth exceeded the 16.8% return of the Morgan Stanley Capital International Europe Australia Far East index, which most of State Street's accounts replicate.

The slower pace of indexing, as evidenced by State Street's growth, puzzled some observers.

"That's surprising," said Linda MacPherson, marketing manager of the WM Co., New York, noting the EAFE's good 1987 performance despite October's crash. "Maybe it's just a maturing market and people happy with the level of passive management are starting to pull back to active."

The slight drop in equities overall might have resulted from some very large funds liquidating their assets after the crash and from domestic managers starting to run international money at the expense of the top 50, she said.

Firms with less than $1 billion under management had the strongest percentage growth during the 12-month period, which is not surprising given they were building from a smaller asset base. The growth often was from new business, as some of the firms suffered badly in the stock market crash.

Julius Baer Investment Management Inc., New York, was the top gainer, with $610 million in assets — more than 2.5 times its total a year earlier. Barrie Martin, marketing director, attributed the enormous growth to good first-quarter 1988 performance and big injections from two funds — the Kansas Public Employees' Retirement System and the Illinois Municipal Retirement Fund.

Bankers Trust Investment Management Ltd., New York, whose assets rose 142% to $607 million, also had good performance and several new clients. Seven major clients were added, as the firm "initiated a dedicated global marketing and sales effort specifically for the U.S. tax-exempt market which was not in place before," according to a marketing assistant.

Brown Brothers Harriman & Co., New York, more than doubled its international and global assets to $646 million because the firm gained two large public fund accounts and because non-pension tax-exempt clients might have been omitted last year, which would have understated 1987's figures, said Paul A. Legvold, manager.

Other big gainers included SBC Portfolio Management International Inc., with a 73% increase; Posthorn Global Asset Management (formerly American Express Asset Management) with 69%; Alliance Capital Ltd. and Warburg Investment Management

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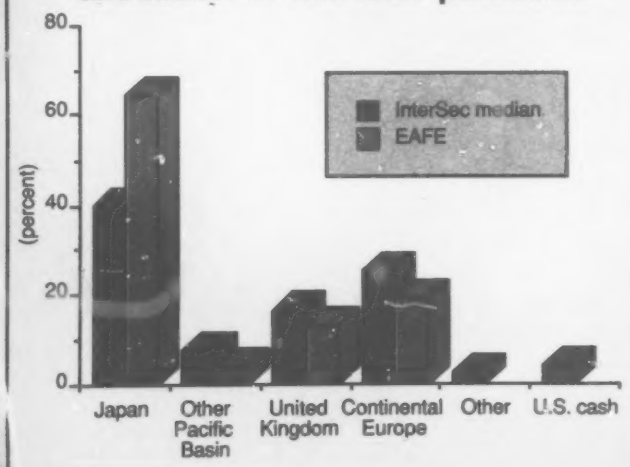
Top 50 managers ranked by total U.S. tax-exempt assets in international and global accounts

	($ millions)		($ millions)
State Street Bank	4,031	Bankers Trust	607
J.P. Morgan	2,726	Alliance Capital	602
Capital Guardian	2,701	IDS International	566
Morgan Grenfell	2,684	Scudder, Stevens & Clark	565
First Chicago	2,314	Fiduciary Trust*	560
Templeton International	2,076	Kemper-Murray Johnstone	498
Rowe Price-Fleming	2,057	Daiwa International	481
Grantham Mayo	1,981	ABD International	359
Batterymarch	1,960	Arnhold & S. Bleichroeder	320
Baring International	1,902	Capital Mgmt. International	261
Fidelity International	1,825	Martin Currie	260
Schroder Capital	1,736	Chase Investors International	250
WorldInvest	1,424	SBC Portfolio Mgmt.	249
Warburg Investment	1,324	Wellington International	245
N.M. Rothschild	1,221	Beutel, Goodman	241
Nomura Capital	1,141	Putnam Advisory	239
PCM International	985	Walter Scott	237
Wells Fargo	971	Hill Samuel/Invest. Advisers	228
Citicorp Investment	806	American National Bank	221
Oechsle International	743	Lombard Odier	217
Posthorn Global	672	Bessemer Group*	190
Brown Brothers Harriman	646	Boston International	181
G.T. Capital	628	Massachusetts Financial	175
Mellon-Pictet	611	Wertheim-Philippe	171
Julius Baer	610	Boston Co.	167
		TOTAL	47,865

* As of Dec. 31, 1987

1st quarter geographic asset allocation of non-U.S. portfolios



Source: InterSec Research Corp., Stamford, Conn.

Style hard to classify

Foreign managers defy pigeonholing

By Marlene Givant

Trying to pinpoint investment styles is not as easy in the international arena as it is in the domestic.

The fixed-income approach of Mellon-Pictet International Management Ltd., London, for example, emphasizes "getting the big picture right," according to its May 23 profile in *Pensions & Investment Age*.

The investment approach of its Pittsburgh-based sibling, Mellon Bond Associates, on the other hand, "establishes a performance benchmark for each actively managed account, followed by strict control of duration, yield, income and cash flow structure. Value is added by sector/quality spread valuation and issue selection."

The difference in the two descriptions highlights the lack of defined styles among active international managers. Foreign methods might be as disciplined and effective as domestic approaches, but many foreign managers prefer doing whatever works to being pigeonholed into one style category.

International markets also don't lend themselves as readily to style differentiation as U.S. markets. For instance, most foreign bond managers buy only high-quality government issues.

There are no signs of more defined styles catching on soon, although a number of international firms based in the United States or run by Americans — such as Grantham, Mayo, Van Otterloo & Co., Boston, and Morgan Stanley Asset Management, New York — use U.S.-type investment approaches.

Most international equity approaches are top-down in country selection and bottom-up in stock selection; there are few fixed-income approaches. For domestic investments, however, there are more than 10 general equity and about six fixed-income styles.

Ronald Boller, director-benefit finance of Owens-Illinois Inc., Toledo, Ohio, and chairman and director of Harbor Capital Advisors, the company's investment management subsidiary, said he can identify three dominant international equity styles: the use of small stocks; large-capitalization growth-oriented stocks; and large-cap value-oriented stocks. He said there are only two fixed-income styles: use and non-use of futures.

Owens-Illinois has more than 15% of its $2.3 billion in pension assets — including about $300 million from Brockway Co., a recent acquisition — in international.

"Styles really haven't developed yet; it'll come," Mr. Boller said. "When I got the job eight years ago there were only a few international managers. Now there are 80, 90 or 100. It's an embryonic industry, but it's growing very fast. With that will come more attitudes and styles."

He thinks new styles will emerge every year, encompassing "all the bells and whistles you see in this country."

Global asset allocation and quantitative approaches are coming on the scene slowly, but most managers don't think the international markets are as efficient as the U.S. market, so relying on fundamentals is the best way to yield results, said Chris Swain, investment consultant at Callan Associates, San Francisco.

"Most people I see tell me they're fundamental-oriented, active stock pickers. Some have a more defined system of developing a matrix of different factors they use to decide asset and country allocation, but breakdowns into value, growth and yield — I haven't seen (those) at all," Mr. Swain said.

Managers use a research-oriented, bottom-up process to find inefficiently priced stocks, a process they think qualifies them

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ABD International Management Corp.

10 E. 53rd St., New York, N.Y. 10022; (212) 319-5020

Total assets managed	$496,800,000
Non-U.S. pension assets	$131,000,000
U.S. tax-exempt assets managed:	
Total	$359,000,000
International	$343,000,000
Global	$16,000,000
U.S. tax-exempt clients	4
Minimum separate account	$15,000,000

ABD International Management Corp., a subsidiary of Dresdner Bank, Frankfurt, and Hypo-Bank, Munich, managed $343 million in international equity accounts for U.S. tax-exempt clients as of March 31.

The international equity assets were committed most heavily to the United Kingdom, 18.5%; Germany, 6.4%; France, 5.7%; Japan, 46%; and Australia, 3.9%.

As of the same date, it had $16 million in global fixed-income accounts.

The firm is equity-oriented and seeks growth stocks with an emphasis on industry rotation worldwide and within markets. It concentrates especially on the effects of currency and reducing currency risk. It works toward the goals of protecting base currency value and obtaining high returns with low risk.

Analysts or portfolio managers are in Frankfurt, New York, Tokyo, Hong Kong and Singapore.

The firm reported a $192 million net loss in U.S. institutional tax-exempt business in the year ended March 31 for international and global accounts.

The firm has non-U.S. currency hedging capability and has been registered with the SEC since 1980.

William D. Rutherford, president, is chief executive officer; Julie K. Boeder is client contact.

Alliance Capital Ltd.

43 Upper Grosvenor, London W1X 9PG, U.K.; 011-44-1-493-9606

Total assets managed	$1,806,000,000
Non-U.S. pension assets	$1,205,000,000
U.S. tax-exempt assets managed:	
Total	$601,000,000
International	$578,000,000
Global	$23,000,000
U.S. tax-exempt clients	13
Minimum separate account	$15,000,000

Alliance Capital Ltd., a subsidiary of Alliance Capital Management L.P., managed $578 million in international equity accounts for U.S. tax-exempt clients as of March 31.

The international equity assets were committed most heavily to the United Kingdom, 11.9%; Germany, 17.8%; Netherlands, 17.4%; Japan, 16.6%; and Canada, 12.6%.

As of the same date, it had $23 million in global equity accounts.

The global equity assets were committed most heavily to the United Kingdom, 10.4%; Germany, 10.2%; Netherlands, 8.4%; Japan, 10.3%; and the United States, 49.6%.

The firm had $140 million in commingled accounts and $140 million in mutual funds.

The firm has an active growth-oriented philosophy. Research is used to identify investment opportunity through undervalued markets, currencies, industries and economic sectors.

Analysts or portfolio managers are in New York, London and Tokyo.

The firm reported a $175 million net gain in U.S. institutional tax-exempt business in the year ended March 31 for international and global accounts.

The firm has non-U.S. currency hedging capability and has been registered with the SEC since 1971.

Dave Williams is chief executive officer; client contacts are Norman Bergel and in New York Carol Zipkin at (212) 969-1044.

American National Bank & Trust Co. of Chicago

33 N. LaSalle St., Chicago, Ill. 60690; (312) 661-5586

Total assets managed	$12,000,000,000
U.S. tax-exempt assets managed:	
Total	$11,300,000,000
International	$221,000,000
U.S. tax-exempt clients	200

American National Bank & Trust of Chicago, a subsidiary of First Chicago Corp., managed $221 million in international equity accounts for U.S. tax-exempt clients as of March 31.

The assets were committed most heavily to the United Kingdom, 13%; Germany, 5%; France, 4%; Switzerland, 3%; and Japan, 65%.

All assets were in commingled index accounts.

The firm bases its indexed investment approach on the EAFE index.

Analysts or portfolio managers are in Chicago.

The firm reported a $200 million net gain in U.S. institutional tax-exempt business in the year ended March 31 for international accounts.

The firm has non-U.S. currency hedging capability.

John R. Tilton is chief executive officer; Ken Sobolewski is client contact.

Julius Baer Investment Management Inc.

330 Madison Ave., New York, N.Y. 10017; (212) 949-9055

Total assets managed	$610,000,000
U.S. tax-exempt assets managed:	
Total	$610,000,000
International	$496,000,000
Global	$114,000,000
U.S. tax-exempt clients	14
Minimum separate account	$10,000,000

Julius Baer Investment Management Inc., a subsidiary of Bank Julius Baer & Co. Ltd., Zurich, managed $31 million in international equity and $465 million in international fixed-income accounts for U.S. tax-exempt clients as of March 31.

The international equity assets were committed most heavily to the United Kingdom, 15%; France, 7%; Switzerland, 10%; Netherlands, 7%; and Japan, 48%.

As of the same date, it had $114 million in global fixed-income accounts.

The firm had $100 million in mutual funds.

The firm uses very active currency allocation, emphasizing strong stable countries and highly liquid, high-quality securities. Short- to medium-range securities are used.

Analysts or portfolio managers are in London and Zurich.

The firm reported a $250 million net gain in U.S. institutional tax-exempt business in the year ended March 31 for international and global accounts.

The firm has non-U.S. currency hedging capability and has been registered with the SEC since 1983.

Peter Widmer is chief executive officer; Jay Dimberger is client contact.

Bankers Trust Investment Management Ltd.

280 Park Ave., New York, N.Y. 10015; (212) 850-2082

Total assets managed	$67,010,000,000
Non-U.S. pension assets	$6,063,000,000
U.S. tax-exempt assets managed:	
Total	$60,947,000,000
International	$460,000,000
Global	$147,000,000
U.S. tax-exempt clients	340
Minimum separate account	$10,000,000

Bankers Trust Investment Management Ltd., a subsidiary of Bankers Trust Co., managed $313 million in international equity and $147 million in international fixed-income accounts for U.S. tax-exempt clients as of March 31.

The equity assets were committed most heavily to the United Kingdom, 18%; Germany, 8%; France, 5%; Japan, 44%; and Canada, 4%.

As of the same date, it had $147 million in global fixed-income accounts.

The firm had $313 million in commingled accounts and $149 million in index funds.

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Partners debate fees

By Nancy White Norkus

Developers and investors are haggling over fees in joint ventures, with payments as a percentage of construction dollars averaging 5% to 6% plus leasing and property management fees.

The variation in fee payments project cost differences and industry clout. Big investors spend billions of dollars annually developing real estate but pay next to nothing for developer input.

For example, Aetna Realty Investors Inc., Hartford, Conn., pays construction cost "plus 1% to 2% as long as executive salaries and other miscellaneous fees are excluded," said James Richmond Jr., president. The goal of fee negotiation "is to get to the costs — how many people were involved and for how long," he said.

"We'll cover the developer's out-of-pocket costs, but not much more, since they are also earning ownership interest in the property and will share in its returns. Actual development is not supposed to be a profit maker," Mr. Richmond said.

Those with fewer dollars to spend, however, will pay more for developer expertise.

Differences in design can also skew developer costs. "With office space or hotels the fee tends to be lower — 2% to 3% — because of pattern repetition." Retail projects "might run 5% to 6% or higher because no two design elements are the same," said Jay A. Rosenfeld, executive vice president of Indianapolis' Melvin Simon & Associates.

"Sometimes contracts are worded to make a fee sound low, but in actual dollars, the amount is high," cautioned Edward P. Griffin, president of the financial services group, The Koll Co., Newport Beach, Calif.

"Sometimes management and leasing fees are included, sometimes they're not. It depends upon the developer," he said. In "the wonderful world of bidding," actual costs can be buried within contractual jargon, and variation is often the result of project size and market positioning."

The fee is "purely a condition of the strength from which you deal," such as the developer's position in the market and its financial health, said Stewart H. Buckle III, vice president of Norfolk, Va.-based Goodman Segar Hogan, a developer.

"The bigger players can do most of the projects on their own, while smaller firms lack the capital to operate without financial backup" and are less well-rewarded.

One small developer, Rosen Associates, Jericho, N.Y., charges 5% to 6% for big projects, and 10% to 12% for $2 million to $25 million deals.

Big players in real estate investing also profit through magnitude, cutting better deals with developers than can some smaller investors.

Both sides of a joint venture have "a gut need to receive compensation for their services. These include developer expertise, and, on the other side, cash or multinational prestige," noted Leonard I. Korman, partner, The Korman Co., a developer in Trevose, Pa.

Koll's Mr. Griffin said his firm's fees are higher — 3% to 6% — because payment must cover both hard costs (mainly construction) and soft costs (such as architectural work and interest payments on the land).

Confusion over fees often is caused by contractual provisions or exclusions.

Joint venture fees at The Nichols Co., Voorhees, N.J., are "in the 5% range," but include property management and leasing expenses, said Peter Corcoran, project manager.

Such expenses are excluded from many developer's joint venture fees and are negotiated separately, based on the going market rate said Koll's Mr. Griffin. ■

Developer fees in joint ventures

	Square feet developed (per year)	Specialty	Fees* (%)
American Continental Properties New York	1,500,000+	Retail/ hotel	0-3
Goodman Segar Hogan Norfolk, Va.	150,000+	Retail	3-5
The Hahn Co. San Diego	2,000,000+	Retail	3-6
The Koll Co. Newport Beach, Calif.	2,500,000+	Office/ industrial	3-6
The Korman Co. Trevose, Pa.	250,000+	Mixed use	4-6
The Nichols Co. Voorhees, N.J.	2,000,000+	Office/ warehouse	4-5
Rosen Associates Jericho, N.Y.	500,000-1,000,000	Retail/ mixed use	10-12** 5-6
Melvin Simon & Associates Indianapolis	4,500,000+	Retail/ mixed use	5-6
The Zaremba Center Point Co. Lakewood, Ohio	800,000+	Community retail	3-6

* Fees are a percentage of "hard dollar" construction costs
** 10%-12% for under $25 million; otherwise, 5%-6%

Ad campaign spells defeat for initiative

Voters in Orange County, Calif., defeated a slow-growth initiative earlier this month that was attacked through a $2 million advertising campaign.

Measure A would have required developers to provide improved traffic flow, fire protection, police protection and park services in unincorporated areas of the county they developed.

Supporters, who had only $48,000 to spend on advertising, blamed their defeat on opponent's heavy use of television commercials, largely funded by development and construction companies.

The measure was defeated by about 53,000 votes.

Had the initiative passed, both sides expected it would spark the introduction of similar measures nationwide. Another slow-growth initiative was defeated in Pasadena, but one was approved in San Clemente. ■

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The firm offers active and passive international equity approaches. The active approach uses macroeconomic analysis to select investments in countries, sectors and companies that can sustain above-average relative growth. Its global fixed-income approach employs active currency management and limited portfolio duration, active sector selection and value swapping. Its short-term fixed-income approach uses active currency and issue selection.

Analysts or portfolio managers are in New York, London, Tokyo, Zurich and Sydney.

The firm reported a $62 million net gain in U.S. institutional tax-exempt business for international and global accounts in the year ended March 31.

The firm has non-U.S. currency hedging capability and has been registered with the SEC since 1982.

Jonathan F. Lubran is chief executive officer; Lynne S. Minard is client contact.

Baring International Investment

9 Bishopsgate, London EC2N 3AQ, U.K.; 011-44-1-623-5264

Total assets managed	$2,060,000,000
Non-U.S. pension assets	$158,000,000
U.S. tax-exempt assets managed:	
Total	$1,902,000,000
International	$1,902,000,000
U.S. tax-exempt clients	26
Minimum separate account	$10,000,000

Baring International Investment, a subsidiary of Baring International Management, managed $1.492 billion in international equity and $410 million in international fixed-income accounts for U.S. tax-exempt clients as of March 31.

The international equity assets were committed most heavily to the United Kingdom, 15%; Germany, 8%; France, 4%; Switzerland, 5%; and Japan, 39%.

The firm had $176 million in commingled accounts and $116 million in index funds.

The firm places particular emphasis on country selection and weighting from a top-down perspective. Stock selection is based on company fundamentals in local market contexts. Changes in the rate of profit growth are important to the strategy.

Analysts or portfolio managers are in London, Tokyo, Hong Kong, Seoul and Sydney.

The firm reported a $252 million net gain in U.S. institutional tax-exempt business in the year ended March 31 for international accounts.

The firm has non-U.S. currency hedging capability and has been registered with the SEC since 1980.

Peter S. Hartley, managing director, is chief executive officer; John F. McNamara is client contact at (617) 357-9074.

Batterymarch Financial Management

600 Atlantic Ave., Boston, Mass. 02210; (617) 973-9300

Total assets managed	$8,051,000,000
Non-U.S. pension assets	$44,000,000
U.S. tax-exempt assets managed:	
Total	$7,180,000,000
International	$1,016,000,000
Global	$944,000,000
U.S. tax-exempt clients	77
Minimum separate account	$10,000,000

Batterymarch Financial Management managed $1.016 billion in international equity accounts for U.S. tax-exempt clients as of March 31.

The assets were committed most heavily to the United Kingdom, 17%; Germany, 13%; France, 11%; Japan, 25%; and Canada, 14%.

As of the same date, it had $944 in global equity accounts, committed most heavily to the United Kingdom, 5%; Germany, 5%; Japan, 11%; Canada, 4%; and the United States, 60%.

The firm had $628 million in commingled accounts and $519 million in mutual funds.

The firm uses global corporate valuation models, applying its contrarian, value-oriented philosophy using a disciplined, efficient, automated investment process. Primary emphasis is placed on the systematic identification of undervalued stocks to capture stocks that are inefficiently priced by the market.

Analysts or portfolio managers are in Boston.

The firm reported a $599 million net gain in U.S. institutional tax-exempt business in the year ended March 31 for international and global accounts.

The firm has non-U.S. currency hedging capability and has been registered with the SEC since 1969.

Dean LeBaron, trustee, is chief executive officer; Susan Weiner, trustee, is client contact.

The Bessemer Group Inc.

630 Fifth Ave., New York, N.Y. 10111; (212) 708-9296

Total assets managed*	$5,300,000,000
U.S. tax-exempt assets managed:	
Total	$636,000,000
International	$190,000,000
U.S. tax-exempt clients	75
Minimum separate account	$5,000,000

*Total figure only is as of Dec. 31, 1987

The Bessemer Group Inc. invested $190 million in international equity accounts for U.S. tax-exempt clients as of March 31.

The assets were committed most heavily to Japan, 39%; the United Kingdom, 17%; Spain, 8%; Switzerland, 5%; and France, 4%.

The firm uses a top-down orientation with a focus on macroeconomic analysis, control of currency exposure and analysis of emerging economies, technologies and companies. Active management of sectors and geographic commitments are its principal focus.

Analysts or portfolio managers are in London and New York.

The firm has non-U.S. currency hedging capability.

John R. Whitmore is chief executive officer; Jane N. Abitanta is client contact.

Beutel, Goodman International PLC

37-39 St. Andrew's Hill, London EC4V 5BY, U.K.; 011-44-1-489-0218

Total assets managed	$346,000,000
Non-U.S. pension assets	$35,000,000
U.S. tax-exempt assets managed:	
Total	$241,000,000
Global	$241,000,000
U.S. tax-exempt clients	1
Minimum separate account	$10,000,000

Beutel, Goodman International PLC managed $241 million in global fixed-income accounts as of March 31.

The firm believes early identification of investment opportunities can be achieved most consistently through a relative value analysis across countries. Research focuses on active country allocation in liquid markets. It uses the highest quality securities in the medium to long end of the market.

Analysts or portfolio managers are in London.

The firm has non-U.S. currency hedging capability and has been registered with the SEC since 1985.

Olaf Rogge is chief executive officer and client contact. Prospective clients also may contact Fairfield Capital Associates at (203) 254-1215.

Arnhold & S. Bleichroeder International

45 Broadway, New York, N.Y. 10006; (212) 943-9200

Total assets managed	$345,000,000
U.S. tax-exempt assets managed:	
Total	$320,000,000
International	$320,000,000
U.S. tax-exempt clients	9
Minimum separate account	$10,000,000

Arnhold & S. Bleichroeder International managed $320 million in international equity accounts for U.S. tax-exempt clients as of March 31.

The assets were committed most heavily to the United Kingdom, 32%; France, 6%; Denmark, 5%; Australia, 17%; and Hong Kong, 10%.

Securities, not countries, are emphasized in the investment approach. The firm evaluates the fundamental criteria of a company and compares absolute and relative price-earnings and price-cash flow. It targets a 50% rate of return for each 30-stock portfolio over a 12- to 24-month time hori-

OUR VIEW OF INVESTING OUTSIDE AMERICA

Following the period of retrenchment in the wake of the October crash, fund managers in America are once again looking overseas. But performance in the different markets has not been uniform in either equities or bonds. With the help of James Capel, a global investment house with close to 200 analysts covering 5000 companies on 25 stock markets around the world, institutional investors have more access to more international opportunities than ever before. The benefits associated with diversifying investments internationally are familiar to the experienced fund managers. Risk is spread and as the selection of stocks is increased, so too are the opportunities.

To make the most of these opportunities requires discipline, experience and the ability to interpret the implications of currency, macro-economic influences and market sentiment. Analysts must have the support of colleagues in different markets, across different time zones, in order to provide a perspective on their own specialty. Whether investing in a major market like Tokyo or an emerging market like Manila, the analyst advising you, or the salesman executing your instructions should not be working in isolation.

Our reputation is well established among the more sophisticated investors based in the United States and James Capel is not new in the international investment community. Nor are we a minor player. We were established over two hundred years ago and now have the largest market share of the institutional broking business in London. Our analysts have consistently topped surveys undertaken by the Institutional Investor magazine, Extel, the financial information service, The Association of Corporate Treasurers in London, The Sunday Times/MORI poll, Taylor Nelson, the market research firm, and many others. We are primary dealers in the UK gilt market, major participants in the Eurobond market, associated with the US Treasury experts CM&M and world leaders in many specialist services such as portfolio trading.

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zon.

Analysts or portfolio managers are in New York.

The firm reported a $17 million net gain in U.S. institutional tax-exempt business in the year ended March 31 for international accounts.

The firm has non-U.S. currency hedging capability and has been registered with the SEC since 1959.

Howard B. Moss is chief executive officer; Frederic C. Reynolds is client contact.

The Boston Co. Inc.

1 Boston Place, Boston, Mass. 02108; (617) 722-7314

Total assets managed	$24,125,000,000
U.S. tax-exempt assets managed:	
Total	$18,040,000,000
International	$167,000,000
U.S. tax-exempt clients	270
Minimum separate account	$20,000,000

The Boston Co. Inc., a subsidiary of Shearson Lehman Hutton Inc., managed $167 million in international equity accounts for U.S. tax-exempt clients as of March 31.

The assets were committed most heavily to Japan, 66%; the United Kingdom, 14%; Germany, 5%; France, 4%; and Switzerland, 3%.

The firm had $145 million in commingled accounts; all the assets were in index funds.

The firm offers a combination of passive and active strategies incorporating 12 equity country index funds and a quantitatively based tactical asset allocation strategy.

Analysts or portfolio managers are stationed in Boston and London.

The firm reported a $45 million net gain in U.S. institutional tax-exempt business in the year ended March 31 for international accounts.

It has non-U.S. currency hedging capability and has been registered with the SEC since 1965.

James Von Germeten, president and chief investment officer, is the chief executive officer; John L. Carty, senior vice president, is client contact.

Boston International Advisors Inc.

1 Liberty Square, Boston, Mass. 02109; (617) 574-9050

Total assets managed	$205,000,000
U.S. tax-exempt assets managed:	
Total	$181,000,000
International	$181,000,000
U.S. tax-exempt clients	4
Minimum separate account	$10,000,000

Boston International Advisors Inc. managed $181 million in international equity accounts for U.S. tax-exempt clients as of March 31.

The assets were committed most heavily to the United Kingdom, 11%; Germany, 6%; France, 8%; Belgium, 5%; and Japan, 55%.

The firm had $93 million in mutual funds and $66 million in index funds.

The investment style uses quantitative value techniques to allocate assets among EAFE markets and to select stocks within those markets. The firm also manages custom index funds — EAFE, GDP and South Africa-free.

Analysts or portfolio managers are in Boston.

The firm reported a $98 million net gain in U.S. institutional tax-exempt business in the year ended March 31 for international accounts.

The firm has non-U.S. currency hedging capability and has been registered with the SEC since 1987.

Lyle H. Davis, president, is chief executive officer; Jennifer Dunning is client contact.

Brown Brothers Harriman

59 Wall St., New York, N.Y. 10005; (212) 493-1818

Total assets managed	$11,700,000,000
Non-U.S. pension assets	$39,000,000
U.S. tax-exempt assets managed:	
Total	$5,600,000,000
International	$631,000,000
Global	$15,000,000
U.S. tax-exempt clients	309
Minimum separate account	$5,000,000

Brown Brothers Harriman & Co. managed $435 million in international equity and $196 million in international fixed-income accounts for U.S. tax-exempt clients as of March 31.

The international equity assets were committed most heavily to the United Kingdom, 22%; Germany, 10%; Switzerland, 6%; Japan, 30%; and Hong Kong/Singapore, 7%.

As of the same date, it had $15 million in global fixed-income accounts.

The firm invests in countries whose growth rates exceed that of the United States and whose policies are pro-investment. Its strategy seeks marketability, hedges currency risk when appropriate and manages reserves aggressively.

Analysts or portfolio managers are in New York, Tokyo, London, Paris and Zurich.

The firm reported a $129 million net gain in U.S. institutional tax-exempt business in the year ended March 31 for international and global accounts.

The firm has non-U.S. currency hedging capability.

Elbridge T. Gerry Jr., partner, is chief executive officer; Paul A. Legvold is client contact.

Capital Guardian Trust Co.

333 S. Hope St., Los Angeles, Calif. 90071; (213) 486-9200

Total assets managed	$14,887,000,000
Non-U.S. pension assets	$111,000,000
U.S. tax-exempt assets managed:	
Total	$14,776,000,000
International	$2,458,000,000
Global	$243,000,000
U.S. tax-exempt clients	105
Minimum separate account	$10,000,000

Capital Guardian Trust Co., a subsidiary of the Capital Group Inc., managed $2.388 billion in international equity and $70 million in international fixed-income accounts for U.S. tax-exempt clients as of March 31.

The international equity assets were committed most heavily to the United Kingdom, 14%; Germany, 10%; Japan, 19%; Australia, 9%; and Hong Kong, 5%.

As of the same date, it had $216 million in global equity and $27 million in global fixed-income accounts.

The global equity assets were committed most heavily to the United Kingdom, 10%; Germany, 7%; Switzerland, 5%; Japan, 9%; and the United States, 46%.

The firm had $528 million in commingled accounts.

The firm uses a fundamental value-oriented investment approach based on detailed research supported by direct management contacts. An additional focus is provided by portfolio managers and analysts with country or area economic, political and social overview responsibilities.

Analysts or portfolio managers are in London, Geneva, Tokyo, Hong Kong, Washington, Los Angeles, San Francisco and New York.

The firm reported a $155 million gain in U.S. institutional tax-exempt business in the year ended March 31 for international and global accounts.

The firm has non-U.S. currency hedging capability.

John H. Seiter, senior vice president, is client contact.

Public funds: Nov. 28.

Capital Management International of Deutsche Bank

9 W. 57th St., New York, N.Y. 10019; (212) 832-1630

Total assets managed	$2,065,000,000
Non-U.S. pension assets	$118,000,000
U.S. tax-exempt assets managed:	
Total	$261,000,000
International	$261,000,000
U.S. tax-exempt clients	2
Minimum separate account	$10,000,000

Capital Management International of Deutsche Bank, a subsidiary of Deutsche Bank, managed $206 million in international equity and $55 million in international fixed-income accounts for U.S. tax-exempt clients March 31.

The equity assets were committed most heavily to Japan, 30%; Germany, 21%; United Kingdom, 21%; Netherlands, 10%; and Spain, 7%.

The firm uses an active, top-down, fundamentally driven approach, which begins with macroeconomic analysis of currencies and countries. These

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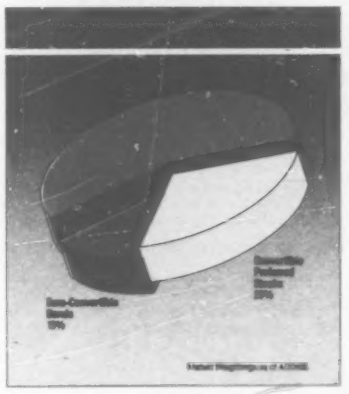

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analyses form the basis for country weightings of model portfolios. Stock selection emphasizes favorable balance sheets, low p/e ratios, profitability and earnings growth. The fixed-income approach centers on analyzing and forecasting currency and interest rate trends. Currency and interest rate scenarios are weighted against each other; those markets offering the greatest potential for gain from both factors are given the highest weighting.

Analysts or portfolio managers are in Frankfurt/Main, Dusseldorf, Geneva, Zurich, New York, London, Tokyo and Melbourne.

The firm has non-U.S. currency hedging capability and has been registered with the SEC since 1984.

Rudolf Heinz, managing director and chief investment officer, is chief executive officer; Michael Tintelnot, general manager and vice president, is client contact.

Master trust: Aug. 22.

Chase Investors International

Woolgate House, Coleman Street, London EC2P 2HD U.K.: 011-44-1-726-3364

Total assets managed	$2,200,000,000
U.S. tax-exempt assets managed:	
Total	$250,000,000
International	$250,000,000
U.S. tax-exempt clients	10
Minimum separate account	$10,000,000

Chase Investors International, a subsidiary of Chase Investors Management Corp., managed $200 million in international equity and $50 million in international fixed-income accounts for U.S. tax-exempt clients as of March 31.

The equity assets were committed most heavily to the United Kingom, 13%; Germany, 7%; Switzerland, 9%; Netherlands, 6%; and Japan, 37%.

The firm had $250 million in commingled accounts.

Its investment approach is based on economic forecasting. Detailed analysis of major macroeconomic variables determines the outlook for currencies and markets on a rolling time horizon. The portfolios are characterized by separating the asset and currency decision within each market; differing exposures are reconciled by the use of forward foreign exchange contracts.

Analysts or portfolio managers are in New York, London and Tokyo.

The firm reported a $20 million net gain in U.S. institutional tax-exempt business in the year ended March 31 for international accounts.

The firm has non-U.S. currency hedging capability and has been registered with the SEC since 1972.

J. Richard Zecher is chief executive officer; Gail K. Campbell is client contact.

Citicorp Investment Management Inc.

Cottons Centre, 6th Floor, P.O. Box 200, Hays Lane, London, SE1 2QT U.K.; 011-44-1-234-2560
153 E. 53rd St., New York, N.Y. 10043; (212) 559-9529

Total assets managed	$34,400,000,000
Non-U.S. pension assets	$1,200,000,000
U.S. tax-exempt assets managed:	
Total	$14,900,000,000
International	$601,000,000
Global	$205,000,000
U.S. tax-exempt clients	424
Minimum separate account	$10,000,000

An agreement to sell Citicorp Investment Management's domestic institutional investment management business to USF&G Financial Services Corp. was signed May 6. International institutional investment management will remain with Citicorp. Responses reflect the firm's assets under management as of March 31.

Citicorp Investment Management managed $336 million in international equity and $265 million in international fixed-income accounts for U.S. tax-exempt clients as of March 31.

The international equity assets were committed most heavily to the United Kingdom, 21%; Germany, 3%; France, 4%; Spain, 6%; and Japan, 52%.

As of the same date, it had $137 million in global equity and $68 million in global fixed-income accounts.

The global equity assets were committed most heavily to the United Kingdom, 10%; Germany, 2%; Switzerland, 2%; Spain, 3%; Japan, 37%; and the United States, 38%.

The firm had $119 million in commingled accounts.

The investment strategy relies on active management of potential sources of return (country allocation, securities selection, currency management), with emphasis on macroeconomic, top-down analysis. Special attention is given to maximizing diversification benefits.

Analysts or portfolio managers are in London, Tokyo, Hong Kong, Sydney and New York.

The firm reported a $50 million net gain in U.S. institutional tax-exempt business in the year ended March 31 for international and global accounts.

The firm has non-U.S. currency hedging capability and has been registered with the SEC since 1972.

Robert G. Wade Jr., chief investment officer, is chief executive officer; Robert Troxler is client contact in London.

Martin Currie Ltd.

29 Charlotte Square, Edinburgh EH2 4HA U.K.; 011-44-31-225-3811

Total assets managed	$3,870,000,000
Non-U.S. pension assets	$1,840,000,000
U.S. tax-exempt assets managed:	
Total	$260,000,000
International	$135,000,000
Global	$125,000,000
U.S. tax-exempt clients	5
Minimum separate account	$20,000,000

Martin Currie Ltd. managed $135 million in international equity accounts for U.S. tax-exempt clients as of March 31.

The assets were committed most heavily to the United Kingdom, 17%; Germany, 4%; France, 6%; Japan, 48%; and Canada, 6%.

As of the same date, it had $125 million in global equity accounts.

The global assets were committed most heavily to the United Kingdom, 14%; Germany, 3%; Japan, 32%; Canada, 2%; and the United States, 27%.

The firm uses a two-stage investment process. First, markets are selected using various screens, particularly a currency screen. Secondly, stocks are selected through the use of qualitative and quantitative screens. Japan and the United Kingdom always are in portfolios.

Analysts or portfolio managers are in Edinburgh.

The firm reported a $26 million net gain in U.S. institutional tax-exempt business in the year ended March 31 for international and global accounts.

The firm has non-U.S. currency hedging capability and has been registered with the SEC since 1978.

Michael Kennedy, president of Martin Currie Inc., is chief executive officer and client contact.

Daiwa International Capital Management Corp.

200 Liberty St., New York, N.Y. 10281; (212) 945-0099

Total assets managed	$17,045,000,000
Non-U.S. pension assets	$351,000,000
U.S. tax-exempt assets managed:	
Total	$481,000,000
International	$481,000,000
U.S. tax-exempt clients	7
Minimum separate account	$5,000,000

Daiwa International Capital Management Corp., a subsidiary of Daiwa International Capital Management Co. Ltd., managed $481 million in international equity accounts for U.S. tax-exempt clients as of March 31.

The assets were committed most heavily to the United Kingdom, 10%; Germany, 6%; France, 4%; Switzerland, 7%; and Japan, 58%.

The firm had $18 million in commingled accounts.

The firm focuses on companies that will lead the economic growth of each country and on those able to sustain high earnings growth through superior management.

Analysts or portfolio managers are

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in New York, London and Tokyo.

The firm reported a $127 million net loss in U.S. institutional tax-exempt business for international accounts in the year ended March 31.

The firm has non-U.S. currency hedging capability and has been registered with the SEC since 1981.

Yasutaka Kimura, president, is chief executive officer; Robert Russell is client contact at (212) 341-5405.

Fidelity International Investment Advisors Ltd.

111 Devonshire St., Boston, Mass. 02109; (617) 570-6330

Total assets managed	$2,450,000,000
Non-U.S. pension assets	$625,000,000
U.S. tax-exempt assets managed:	
Total	$1,825,000,000
International	$1,550,000,000
Global	$275,000,000
U.S. tax-exempt clients	18
Minimum separate account	$20,000,000

Fidelity International Investment Advisors Ltd., a subsidiary of Fidelity International Ltd., managed $1.55 billion in international equity accounts for U.S. tax-exempt clients as of March 31.

The assets were committed most heavily to the United Kingdom, 35%; Spain, 10%; Japan, 45%; and Canada, 5%.

As of the same date, it had $275 million in global equity accounts.

The global equity assets were committed most heavily to the United Kingdom, 22%; Spain, 8%; Japan, 25%; Canada, 3%; and the United States, 37%.

The firm's geographic and asset allocation are decided by the international investment policy group. Once assets are allocated to countries, stock selection is made by investment managers at the local level.

Analysts or portfolio managers are in Boston, London, Tokyo, Hong Kong and Bermuda.

The firm reported a $175 million net loss in U.S. institutional tax-exempt business in the year ended March 31 for international and global accounts.

The firm has non-U.S. currency hedging capability and has been registered with the SEC since 1977.

James E. Tonner is chief executive officer; William B. Fink is client contact.

Fiduciary Trust Co. International

2 World Trade Center, New York, N.Y. 10048; (212) 466-4100

Total assets managed*	$9,352,000,000
U.S. tax-exempt assets managed:	
Total	$6,050,000,000
International	$116,000,000
Global	$444,000,000
U.S. tax-exempt clients	183
Minimum separate account	$10,000,000

*as of Dec. 31, 1987

Fiduciary Trust Co. International managed $91 million in international equity and $25 million in international fixed-income accounts for U.S. tax-exempt clients as of Dec. 31.

The equity assets were committed most heavily to the United Kingdom, 27%; Europe, 14%; Japan, 45%; and Far East, 8%.

As of the same date, it had $444 million in global fixed-income accounts.

The firm had $90 million in commingled accounts and $76 million in mutual funds.

Its investment approach emphasizes stock selection within a macroeconomic framework. The active style produces concentrated portfolios in stocks and markets. Country allocations vary from EAFE weightings according to the firm's market assessment. Currency and market diversification are used to reduce risk. Long-term hedging may be used.

Analysts or portfolio managers are in New York, London, Geneva and Los Angeles.

The firm reported a $33 million net gain in U.S. institutional tax-exempt business in the year ended Dec. 31 for international and global accounts.

The firm has non-U.S. currency hedging capability.

Lawrence S. Huntington is chief executive officer; George Mullin and Belinda Gibbs are client contacts.

First Chicago Investment Advisors

3 First National Plaza, Chicago, Ill. 60670; (312) 732-6474

Total assets managed	$9,768,000,000
Non-U.S. pension assets	$85,000,000
U.S. tax-exempt assets managed:	
Total	$9,458,000,000
International	$2,198,000,000
Global	$116,000,000
U.S. tax-exempt clients	79
Minimum separate account	$10,000,000

First Chicago Investment Advisors, a subsidiary of First Chicago Corp., managed $828 million in international equity and $1.37 billion in international fixed-income accounts for U.S. tax-exempt clients as of March 31.

The international equity assets were committed most heavily to the United Kingdom, 16%; Germany, 11%; France, 5%; Japan, 35%; and Canada, 8%.

As of the same date, it had $4 million in global equity and $112 million in global fixed-income accounts.

The global equity assets were committed most heavily to the United Kingdom, 9%; Germany, 6%; Japan, 21%; Canada, 5%; and the United States, 36%.

The firm had $632 million in commingled accounts.

The firm actively manages core international equity and fixed-income portfolios. It uses internally developed valuation models, risk systems and other quantitative techniques in a structured decision process. The equity approach is value-oriented and identifies mispriced markets and securities. Fixed income is treated as a separate asset class, with interest rate and currency forecasts integrated into strategic forecasts.

Analysts or portfolio managers are in Chicago, Tokyo and London.

The firm reported a $108 million net gain in U.S. institutional tax-exempt business in the year ended March 31 for international and global accounts.

The firm has non-U.S. currency hedging capability.

Gary P. Brinson, president and chief investment officer, is chief executive officer; Rodney G.D. Smith, vice president and international product manager, is client contact.

Grantham Mayo Van Otterloo & Co. International

40 Rowes Wharf, Boston, Mass. 02110; (617) 330-7523

Total assets managed	$1,981,000,000
U.S. tax-exempt assets managed:	
Total	$1,981,000,000
International	$1,981,000,000
U.S. tax-exempt clients	33
Minimum separate account	$5,000,000

Grantham Mayo Van Otterloo & Co. International managed $1.981 billion in international equity accounts for U.S. tax-exempt clients as of March 31.

The assets were committed most heavily to the United Kingdom, 33%; Germany, 10%; Netherlands, 8%; Sweden, 8%; and Spain, 9%.

The firm had $1.47 billion in commingled accounts and $12 million in mutual funds.

It uses quantitative analytical screening techniques to achieve low-beta foreign equity exposure with a low p/e profile. Portfolio turnover averages less than 20% annually.

Analysts or portfolio managers are in Boston and London.

The firm reported a $74 million net gain in U.S. institutional tax-exempt business in the year ended March 31 for international accounts.

The firm has been registered with the SEC since 1977.

Eyk Van Otterloo, partner, is client contact.

G.T. Capital Management

50 California St. 27th Floor, San Francisco, Calif. 94111; (415) 392-6181

Total assets managed	$900,000,000

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U.S. tax-exempt assets managed:
Total $636,000,000
International $613,000,000
Global $15,000,000
U.S. tax-exempt clients 10
Minimum separate account $10,000,000

G.T. Capital Management Inc., a subsidiary of G.T. Management PLC, managed $613 million in international equity accounts for U.S.tax-exempt clients as of March 31.

The international assets were committed most heavily to the United Kingdom, 13%; Germany, 7%; Japan, 40%; Singapore, 6%; and Thailand, 6%.

As of the same date, it had $15 million in global equity accounts.

The global assets were committed most heavily to the United Kingdom, 6%; Japan, 29%; Hong Kong, 5%; Singapore, 4%; and the United States, 39%.

The firm had $6 million in commingled accounts.

It takes a global approach to identifying investment opportunities. It seeks early identification of major international trends and looks for the most appropriate countries and companies through which to exploit them. The approach seeks growth companies with undiscounted earnings acceleration.

Analysts or portfolio managers are in San Francisco, London, Hong Kong, Tokyo and Sydney.

The firm has non-U.S. currency hedging capability and has been registered with the SEC since 1974.

Robert J. Boyd is chief executive officer; Mary Lou Bernhoft is client contact.

Hill Samuel/Investment Advisers Ltd.

1100 Dain Tower P.O. Box 357, Minneapolis, Minn. 55440; (612) 371-7780

Total assets managed $250,000,000
U.S. tax-exempt assets managed:
Total $228,000,000
International $225,000,000
Global $3,000,000
U.S. tax-exempt clients 4
Minimum separate account $10,000,000

Hill Samuel/Investment Advisers Ltd., a subsidiary of Hill Samuel Group PLC/TSB Group PLC, managed $225 million in international equity accounts for U.S. tax-exempt clients as of March 31.

The international equity assets were committed most heavily to the United Kingdom, 22%; Germany, 15%; Japan, 20%; Australia, 10%; and Hong Kong, 10%.

As of the same date, it had $3 million in global fixed-income accounts.

The firm had $12 million in commingled accounts and $12 million in mutual funds.

The firm takes a quantitative approach to value investing through a structured and disciplined process. The approach aims for a consistent appraisal of all markets, securities and currencies; consistent above-average performance; and less volatility than the index during declining markets.

Analysts or portfolio managers are in London.

The firm has non-U.S. currency hedging capability and has been registered with the SEC since 1982.

David G. Tilles, chief investment officer, is chief executive officer; Anne F. Holloran is client contact.

IDS International Inc.

IDS Tower 10, Minneapolis, Minn. 55440; (612) 372-1335

Total assets managed $1,119,000,000
Non-U.S. pension assets $228,000,000
U.S. tax-exempt assets managed:
Total $566,000,000
International $448,000,000
Global $118,000,000
U.S. tax-exempt clients 22
Minimum separate account $15,000,000

IDS International Inc., a subsidiary of IDS Financial Corp., managed $448 million in international equity accounts for U.S. tax-exempt clients as of March 31.

The international assets were committed most heavily to the United Kingdom, 12%; Switzerland, 6%; Netherlands, 2%; Japan, 56%; and Australia, 4%.

As of the same date, it had $118 million in global equity accounts, committed most heavily to the United Kingdom 8%; Switzerland, 5%; Japan, 45%; Australia, 5%; and the United States, 23%.

The firm had $64 million in commingled accounts.

It takes a top-down, bottom-up investment approach. Based upon a macroeconomic, geopolitical overview, assets are allocated among stocks, bonds and cash; currency views are taken; and countries are distributed into economic categories and weighted. Stock selection is based on fundamental analysis.

Analysts or portfolio managers are in Minneapolis and London.

The firm reported a $99 million net gain in U.S. institutional tax-exempt business in the year ended March 31 for international and global accounts.

The firm has non-U.S. currency hedging capability and has been registered with the SEC since 1981.

The chief executive officer is Peter

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L. Lamaison, chief investment officer. The client contacts are Robert W. Edgar (Midwest); Gabrielle F. Shear (Eastern); and Diane K. Vener (Western).

Kemper-Murray Johnstone International Inc.

120 S. LaSalle St., Chicago, Ill. 60603; (312) 845-1934

Total assets managed	$680,000,000
U.S. tax-exempt assets managed:	
Total	$498,000,000
International	$498,000,000
U.S. tax-exempt clients	33
Minimum separate account	$5,000,000

Kemper-Murray Johnstone International Inc., a joint venture between Kemper Financial Services and Murray Johnstone Ltd., managed $123 million in international equity and $375 million in international fixed-income accounts for U.S. tax-exempt clients as of March 31.

The equity assets were committed most heavily to the United Kingdom, 22%; Germany, 5%; Switzerland, 6%; Japan, 39%; and Australia, 7%.

The firm had $8 million in commingled accounts.

The firm is an active manager in market, security and currency selection. Macroeconomic evaluation leads to country allocation. Within country markets, securities are chosen using a long-term, value-oriented approach. The firm uses both fundamental and technical forecasts in currency management.

Analysts or portfolio managers are in Chicago and Glasgow.

The firm reported a $125 million net gain in U.S. institutional tax-exempt business in the year ended March 31 for international accounts.

The firm has non-U.S. currency hedging capability and has been registered with the SEC since 1980.

Gordon Wilson, president, is chief executive officer; Sue Mullin is client contact.

Consultants: Oct. 17.

Lombard Odier Holdings

Norfolk House, 13 Southampton Place, London WC1A 2AJ U.K.; 011-44-1-831-2350

Total assets managed	$3,017,000,000
Non-U.S. pension assets	$2,799,000,000
U.S. tax-exempt assets managed:	
Total	$217,000,000
International	$160,000,000
Global	$57,000,000
U.S. tax-exempt clients	4
Minimum separate account	$10,000,000

Lombard Odier Holdings (UK) Ltd., a subsidiary of Lombard Odier & Cie, managed $38 million in international equity and $122 million in international fixed-income accounts for U.S. tax-exempt clients as of March 31.

The equity assets were committed most heavily to the United Kingdom, 12%; Netherlands, 5%; Spain, 4%; Japan, 51%; and Singapore, 5%.

As of the same date, it had $57 million in global equity accounts, committed most heavily to the United Kingdom, 18%; Netherlands, 5%; Japan, 27%; Singapore, 4%; and the United States, 32%.

The firm uses a macroeconomic approach to regional allocation of assets. Portfolio managers/analysts implement the equity allocation within their geographic regions. The fixed-income team has an interest rate anticipation approach. Currency hedging, if applicable, is used for return enhancement.

Analysts or portfolio managers are in London, Geneva, Amsterdam and Montreal.

The firm reported a $47 million net gain in U.S. institutional tax-exempt business in the year ended March 31 for international and global accounts.

The firm has non-U.S. currency hedging capability and has been registered with the SEC since 1978.

Robert van Maasdijk is chief executive officer; Karin Bonding is client contact.

Massachusetts Financial Services Co.

200 Berkeley St., Boston, Mass. 02116; (617) 423-3500

Total assets managed	$22,879,000,000
U.S. tax-exempt assets managed:	
Total	$2,992,000,000
Global	$175,000,000
U.S. tax-exempt clients	20
Minimum separate account	$20,000,000

Massachusetts Financial Services Co., a subsidiary of Sun Life Assurance Co. of Canada (U.S.), managed $175 million in global fixed-income accounts for U.S. tax-exempt clients as of March 31, of which $57 million was in mutual funds.

The firm applies active fixed-income management techniques and uses hedging to segment non-dollar fixed-income investments into three components: currency return, bond price fluctuation and current income. It isolates the factors that will provide the most attractive total return.

Analysts or portfolio managers are in Boston.

The firm has non-U.S. currency hedging capability and has been registered with the SEC since 1933.

Richard B. Bailey, chairman, is chief executive officer; William H. Lynch and James H. Kelly Jr. are client contacts.

Mellon-Pictet International Management Ltd.

Cutlers Gardens, 5 Devonshire Square, London EC2M 4LD U.K.; 011-44-1-283-7471

Total assets managed	$1,073,000,000
Non-U.S. pension assets	$7,000,000
U.S. tax-exempt assets managed:	
Total	$611,000,000
International	$611,000,000
U.S. tax-exempt clients	18

Mellon-Pictet International Management Ltd., a subsidiary of Mellon Bank and Pictet & Cie, managed $611 million in international equity accounts for U.S. tax-exempt clients as of March 31.

The assets were committed most heavily to the United Kingdom, 21%; France, 5%; Spain, 8%; Japan, 23%; and Hong Kong, 7%.

The firm had $18 million in commingled accounts.

The investment approach is fundamentally driven active management of concentrated portfolios, tailored to client risk tolerances.

Analysts or portfolio managers are in London, Geneva and Tokyo.

The firm reported a $48 million net loss in U.S. institutional tax-exempt business for international accounts in the year ended March 31.

The firm has non-U.S. currency hedging capability and has been registered with the SEC since 1980.

Dan H. Blanks, president, is chief executive officer. Rod Hearn is client contact in London; Steven Albrecht is the client contact in Boston at (617) 238-1529.

J.P. Morgan Investment Management Inc.

83 Pall Mall, London SW1 Y5ES U.K.; 011-44-1-930-9444

Total assets managed	$54,741,000,000
Non-U.S. pension assets	$429,000,000
U.S. tax-exempt assets managed:	
Total	$2,726,000,000
International	$2,436,000,000
Global	$290,000,000
U.S. tax-exempt clients	37

J.P. Morgan Investment Management Inc., a subsidiary of J.P. Morgan & Co. Inc., managed $1.743 billion in international equity and $693 million in international fixed-income accounts for U.S. tax-exempt clients as of March 31.

The international equity assets were committed most heavily to the United Kingdom, 16%; Germany, 11%; France, 4%; Spain, 4%; and Japan, 48%.

As of the same date, it had $26 million in global equity and $264 million in global fixed-income accounts.

The global equity assets were committed most heavily to the United Kingdom, 9%; Germany, 7%; France, 3%; Japan, 37%; and the United States, 28%.

The firm had $878 million in commingled accounts.

The firm actively manages asset mix, currency exposure and individual security selection to maximize total re-

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JB&CoB

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INVESTMENT MANAGEMENT INC.

turn and minimize risk in U.S. dollars through a well-defined decision-making process.

Analysts or portfolio managers are stationed in New York, London, Tokyo and Singapore.

The firm has non-U.S. currency hedging capability and has been registered with the SEC since 1984.

C. Nicholas Potter, president, is chief executive officer. Adrian F. Lee, vice president, is client contact in London; Anthony P. Wilson, vice president, is client contact in New York at (212) 837-1421.

Morgan Grenfell Investment Services Ltd.

46 New Broad St., London EC2M 1NB U.K.; 011-44-1-256-7500

Total assets managed	$3,148,000,000
Non-U.S. pension assets	$403,000,000
U.S. tax-exempt assets managed:	
Total	$2,684,000,000
International	$2,275,000,000
Global	$409,000,000
U.S. tax-exempt clients	48
Minimum separate account	$15,000,000

Morgan Grenfell Investment Services Ltd., a subsidiary of Morgan Grenfell Asset Management Ltd., managed $2.231 billion in international equity and $44 million in international fixed-income accounts for U.S. tax-exempt clients as of March 31.

The international equity assets were committed most heavily to the United Kingdom, 16%; Germany, 4%; France, 3%; Switzerland, 4%; and Japan, 51%.

As of the same date, it had $211 million in global equity and $198 million in global fixed-income accounts.

The global equity assets were committed most heavily to the United Kingdom, 9%; Switzerland, 3%; Spain, 3%; Japan, 37%; and the United States, 23%.

At March 31, the firm had $108 million in commingled accounts.

The firm is an active global manager whose equity approach places equal emphasis on market decision and stock selection. No investments are made without considering the currency impact. Its fixed-income approach actively manages currencies, bond markets and maturities. Currency and bond market exposure decisions are separated through currency hedging.

Analysts or portfolio managers are in New York, London, Tokyo, Geneva, Sydney and Singapore.

The firm reported a $199 million net loss in U.S. institutional tax-exempt business in the year ended March 31 for international and global accounts.

The firm has non-U.S. currency hedging capability and has been registered with the SEC since 1977.

Michael Bullock, chairman, is chief executive officer; James E. Minnick, executive vice president of Morgan Grenfell Capital Management, is client contact in New York at (212) 230-2600.

Nomura Capital Management

180 Maiden Lane Suite 2903, New York, N.Y. 10038; (212) 509-8181

Total assets managed	$2,199,000,000
U.S. tax-exempt assets managed:	
Total	$1,141,000,000
International	$1,130,000,000
Global	$11,000,000
U.S. tax-exempt clients	13
Minimum separate account	$5,000,000

Nomura Capital Management Inc., a subsidiary of Nomura Investment Management Co. Ltd., managed $1.13 billion in international equity accounts for U.S. tax-exempt clients as of March 31.

The assets were committed most heavily to the United Kingdom, 13%; Germany, 6%; France, 3%; Japan, 52%; and Australia, 4%.

As of the same date, it had $11 million in global equity accounts, which were committed most heavily to the United Kingdom, 10%; Germany, 5%; Japan, 34%; Australia, 3%; and the United States, 26%.

The firm concentrates investments in high-return sectors and stocks screened through original fundamental research and relative valuation. Emphasis is on sector and stock selection, with less emphasis on timing markets and currencies.

Analysts or portfolio managers are in New York, Tokyo and London.

The firm reported a $165 million net gain in U.S. institutional tax-exempt business in the year ended March 31 for international and global accounts.

The firm has non-U.S. currency hedging capability and has been registered with the SEC since 1976.

Takeo Nakamura, president, is chief executive officer; Brian X. Fitzgibbon, senior vice president, is client contact.

Oechsle International Advisors

1 International Place, Boston, Mass. 02110; (617) 330-8817

Total assets managed	$760,000,000
Non-U.S. pension assets	$17,000,000
U.S. tax-exempt assets managed:	
Total	$743,000,000
International	$743,000,000
U.S. tax-exempt clients	24
Minimum separate account	$10,000,000

Oechsle International Advisors managed $743 million in international equity accounts for U.S. tax-exempt clients as of March 31.

The assets were committed most heavily to the United Kingdom, 12%; Germany, 8%; Japan, 26%; Canada, 11%; and Singapore/Malaysia, 6%.

The firm's approach emphasizes bottom-up stock selection, aggressive top-down country allocation and a value orientation. The investment horizon is 18 to 24 months; portfolios are constructed with a limited number of holdings; and investments are managed in a minimum of eight and a maximum of 12 markets.

Analysts or portfolio managers are in Boston, London and Tokyo.

The firm reported a $256 million net gain in U.S. institutional tax-exempt business for international accounts in the year ended March 31.

The firm has non-U.S. currency hedging capability and has been registered with the SEC since 1986.

Walter Oechsle, managing partner, is chief executive officer; Stephen P. Langer is client contact.

PCM International

745 Broad St., 2 Plaza, Newark, N.J. 07101; (201) 877-4559

Total assets managed	$4,396,000,000
Non-U.S. pension assets	$36,000,000
U.S. tax-exempt assets managed:	
Total	$885,000,000
International	$418,000,000
Global	$567,000,000
U.S. tax-exempt clients	44
Minimum separate account	$10,000,000

PCM International, a subsidiary of Prudential Insurance Co. of America, managed $226 million in international equity and $192 million in international fixed-income accounts for U.S. tax-exempt clients as of March 31.

The equity assets were committed most heavily to the United Kingdom, 7%; Germany, 8%; Spain, 5%; Japan, 53%; and Canada, 14%.

As of the same date, it had $567 million in global fixed-income accounts.

The firm had $672 million in commingled accounts.

Its equity approach is based on bottom-up stock selection, with defensive currency/stock market overlay. Its fixed-income approach employs active currency/maturity management using top-quality issues.

Analysts or portfolio managers are in Newark, N.J.

The firm reported a $183 million net gain in U.S. institutional tax-exempt business for international and global accounts in the year ended March 31.

The firm has non-U.S. currency hedging capability and has been registered with the SEC since 1984.

Barry M. Gillman is chief executive officer; J. Eric Nelson, director, is client contact.

Posthorn Global Asset Management

375 Park Ave., New York, N.Y. 10022; (212) 415-0802

Total assets managed	$2,285,000,000
Non-U.S. pension assets	$51,000,000
U.S. tax-exempt assets managed:	

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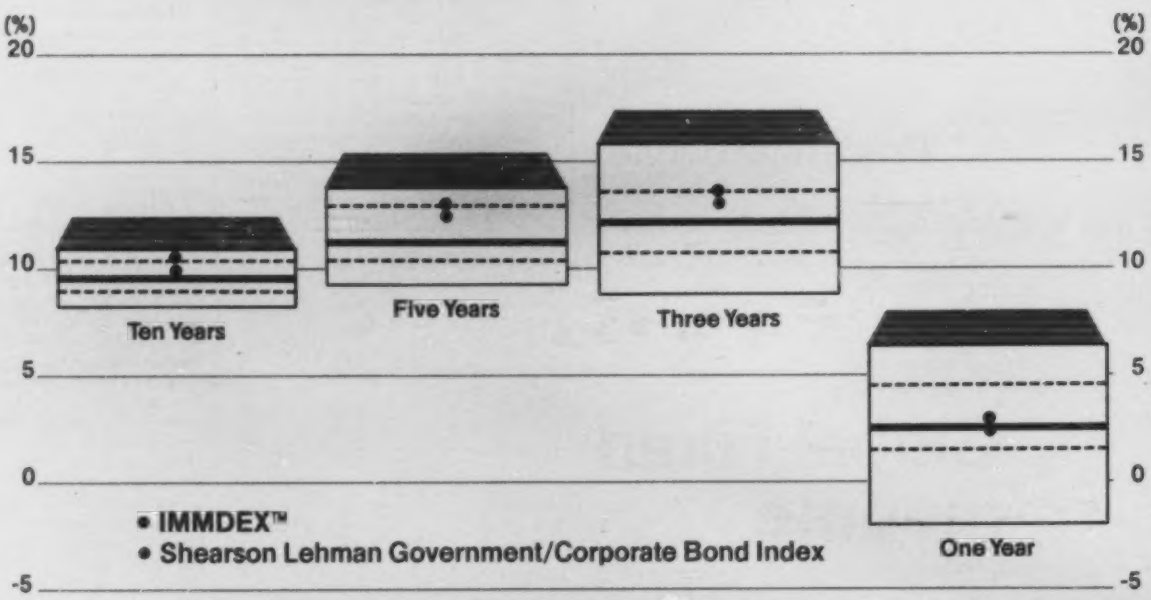

Bond fund total rates of return for periods ended December 31, 1987. Source SEI.

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FIRST WISCONSIN TRUST COMPANY

Total	$872,000,000
International	$396,000,000
Global	$276,000,000
U.S. tax-exempt clients	16
Minimum separate account	$15,000,000

Posthorn Global Asset Management, a subsidiary of Shearson Lehman Hutton Inc., managed $366 million in international equity and $30 million in international fixed-income accounts for U.S. tax-exempt clients as of March 31.

The equity assets were committed most heavily to the United Kingdom, 13%; Spain, 6%; Japan, 31%; Hong Kong, 4%; and Canada, 9%.

As of the same date, it had $109 million in global equity and $167 million in global fixed-income accounts.

The global equity assets were committed most heavily to the United Kingdom, 9%; Spain, 6%; Japan, 23%; Singapore/Malaysia, 6%; and the United States, 23%.

The firm had $475 million in mutual funds and $143 million in index funds.

The firm identifies global investment themes and then uses valuation screens to select attractively priced companies benefiting from the themes.

Analysts or portfolio managers are stationed in London.

The firm reported a $362 million net gain in U.S. institutional tax-exempt business for international and global accounts in the year ended March 31.

The firm has non-U.S. currency hedging capability and has been registered with the SEC since 1984.

Karl R. Van Horn, chairman, is chief executive officer; Susan Leader, director-marketing, is client contact.

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(212) 415-5800
(800) 421-0216

Prudential-Bache
Securities

Rowe Price-Fleming International Inc.

100 E. Pratt St., Baltimore, Md. 21202; (301) 547-2140

Total assets managed	$2,606,000,000
U.S. tax-exempt assets managed:	
Total	$2,057,000,000
International	$1,611,000,000
Global	$446,000,000
U.S. tax-exempt clients	22
Minimum separate account	$10,000,000

Rowe Price-Fleming International Inc., a subsidiary of T. Rowe Price Associates and The Fleming Group, managed $1.588 billion in international equity and $23 million in international fixed-income accounts for U.S. tax-exempt clients as of March 31.

The equity assets were committed most heavily to the United Kingdom, 33%; Switzerland, 6%; Netherlands, 7%; Japan, 28%; and Hong Kong, 7%.

As of the same date, it had $219 million in global equity and $227 million in global fixed-income accounts. The global equity assets were committed most heavily to the United Kingdom, 31%; Netherlands, 6%; Japan, 19%; Hong Kong, 6%; and the United States, 6%.

The firm had $189 million in commingled accounts and $549 million in mutual funds.

The firm is an active manager, using a top-down, bottom-up approach for equities. Large- and small-cap stocks are used. The fixed-income approach is fundamentally oriented using active management of credit markets and currency exposure.

Analysts or portfolio managers are in Baltimore, Bahrain, Frankfurt, New York, Paris, Hong Kong, Jakarta, Kuala Lumpur, Melbourne, London, Geneva, Manila, Seoul, Sydney, Taipei, Tokyo and Zurich.

The firm has non-U.S. currency hedging capability and has been registered with the SEC since 1979.

M. David Testa, chairman, is chief executive officer; George A. Murnaghan is client contact.

Putnam Advisory Co.

1 Post Office Square, Boston, Mass. 02109; (617) 292-1200

Total assets managed	$8,813,000,000
Non-U.S. pension assets	$71,000,000
U.S. tax-exempt assets managed:	
Total	$7,514,000,000
International	$239,000,000
U.S. tax-exempt clients	85
Minimum separate account	$15,000,000

Putnam Advisory Co., a subsidiary of Putnam Cos. Inc., managed $190 million in international equity and $49 million in international fixed-income accounts for U.S. tax-exempt clients as of March 31.

The equity assets were committed most heavily to the United Kingdom, 16%; Germany, 6%; France, 5%; Netherlands, 5%; and Japan, 38%.

Of the assets invested abroad, $46.5 million were in commingled accounts.

Its equity approach uses qualitative judgment with quantitative techniques to combine a top-down and bottom-up approach, adding value through market and stock selection. Its fixed-income approach combines top-down fundamental research with quantitative techniques for making strategic and tactical bond and currency decisions.

Analysts or portfolio managers are in Boston, London and Tokyo.

The firm reported a $57 million net loss in U.S. institutional tax-exempt business for international accounts in the year ended March 31.

The firm has non-U.S. currency hedging capability and is registered with the SEC.

Lawrence J. Lasser, president, is chief executive officer; Orie L. Dudly is client contact.

N.M. Rothschild International Asset Management Ltd.

Five Arrows House, St. Swithins Lane, London EC4N 8NR U.K.; 011-44-1-634-2950

Total assets managed	$3,276,000,000
Non-U.S. pension assets	$517,000,000
U.S. tax-exempt assets managed:	
Total	$1,221,000,000
International	$1,162,000,000
Global	$59,000,000
U.S. tax-exempt clients	12
Minimum separate account	$10,000,000

N.M. Rothschild International Asset Management Ltd., a subsidiary of N.M. Rothschild Asset Management (Holdings) Ltd., managed $536 million in international equity and $626 million in international fixed-income accounts for U.S. tax-exempt clients as of March 31.

The equity assets were committed most heavily to the United Kingdom, 19%; Germany, 6%; France, 4%; Japan, 38%; and Canada, 5%.

As of the same date, it had $59 million in global equity accounts, committed most heavily to the United Kingdom, 12%; Germany, 4%; Japan, 25%; Canada, 5%; and the United States, 32%.

The firm is an active top-down asset allocator. Through a process of fundamental economic analysis, assets are concentrated in markets expected to outperform. Currency allocation is decided separately and currency hedging is used extensively.

Analysts or portfolio managers are in London, Tokyo, Hong Kong, Sydney, Melbourne, Paris and Zurich.

The firm reported a $120 million net gain in U.S. institutional tax-exempt business for international and global accounts in the year ended March 31.

The firm has non-U.S. currency hedging capability and has been registered with the SEC since 1980.

Richard Katz is chief executive officer; Peter Flynn is the client contact in New York at (212) 757-6000.

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Tel.: (212) 832-1630

Frank Russell Trust Co.

1201 Pacific Ave., Tacoma, Wash. 98402; (206) 272-4097

Total assets managed	$3,400,000,000
U.S. tax-exempt assets managed:	
Total	$3,400,000,000
International	$349,000,000
U.S. tax-exempt clients	170
Minimum separate account	$5,000,000

Frank Russell Trust Co., a subsidiary of Frank Russell Co., managed $349 million in commingled international equity accounts for U.S. tax-exempt clients as of March 31.

The assets were committed most heavily to the United Kingdom, 17%; Germany, 7%; Netherlands, 5%; Australia, 6%; Japan, 35%; and Hong Kong, 5%.

The firm uses a multimanager approach, diversifying by manager style. It offers three international funds using seven advisers. Because it does not directly manage the assets, its figures are not included in the survey's aggregate data.

The firm reported a $25 million net gain in U.S. institutional tax-exempt business for international accounts in the year ended March 31.

Paul R. Kaltinick is president and chief executive officer; Virginia P. Sirusas, senior vice president, is client contact at (212) 486-7744.

SBC Portfolio Management International Inc.

1 World Trade Center Suite 9051, New York, N.Y. 10048; (212) 938-7465

Total assets managed	$400,000,000
U.S. tax-exempt assets managed:	
Total	$251,000,000
International	$236,000,000
Global	$13,000,000
U.S. tax-exempt clients	14
Minimum separate account	$5,000,000

SBC Portfolio Management International Inc., a subsidiary of Swiss Bank Corp., managed $205 million in international equity and $31 million in international fixed-income accounts for U.S. tax-exempt clients as of March 31.

The equity assets were committed most heavily to the United Kingdom, 8%; Germany, 7%; Switzerland, 6%, Netherlands, 5%; and Japan, 38%.

As of the same date, it had $13 million in global equity accounts, committed most heavily to the United Kingdom, 5%; Germany, 4%; Switzerland, 3%; Japan, 20%; and the United States, 35%.

The firm structures its top-down philosophy, process and allocation of resources with an emphasis on country selection. Strong bets against the EAFE index are protected by aggressive currency hedging where appropriate. Stock selection uses value screens and favors small-capitalization stocks where market liquidity permits.

Analysts or portfolio managers are in the United States, United Kingdom, Switzerland, Japan, Hong Kong, Singapore and Australia.

The firm reported a $135 million net gain in U.S. institutional tax-exempt business in the year ended March 31 for international and global accounts.

The firm has non-U.S. currency hedging capability and has been registered with the SEC since 1982.

Peter J. Morant is chief executive officer; John W. Conlin is client contact.

Schroder Capital Management International

787 Seventh Ave., New York, N.Y. 10019; (212) 841-3830

Total assets managed	$2,200,000,000
Non-U.S. pension assets	$300,000,000
U.S. tax-exempt assets managed:	
Total	$1,736,000,000
International	$1,600,000,000
Global	$136,000,000
U.S. tax-exempt clients	34
Minimum separate account	$15,000,000

Schroder Capital Management International, a subsidiary of Schroders PLC, invested $1.6 billion in international equity accounts for U.S. tax-exempt clients as of March 31.

The assets were committed most heavily to the United Kingdom, 14%; Germany, 6%; France, 5%; Switzerland, 8%; and Japan, 46%.

As of the same date, it had $136 million in global equity, committed most heavily to the United Kingdom, 8%; Switzerland, 8%; Netherlands, 6%; Japan, 22%; and the United States, 31%.

The firm had $60 million in commingled accounts and $614 million in mutual funds.

Its investment process begins with

country allocation, emphasizing stock selection in the countries with the best economic prospects, based on two-year economic projections. After country guidelines are established, an active, aggressive approach to stock selection is employed, focusing on emerging growth stocks as the core of the portfolio.

Analysts or portfolio managers are in London, New York, Tokyo, Hong Kong, Singapore, Zurich and Sydney.

The firm reported a net gain of $330 million in institutional tax-exempt business for international and global accounts in the year ended March 31.

The firm has non-U.S. currency hedging capability and has been registered with the SEC since 1979.

David M. Salisbury is chief executive officer; Sharon L. Haugh is client contact.

Walter Scott International

626 Wilshire Blvd., Suite 410, Los Angeles, Calif. 90017; (213) 623-2800

Total assets managed	$237,000,000
U.S. tax-exempt assets managed:	
Total	$237,000,000
International	$217,000,000
Global	$20,000,000
U.S. tax-exempt clients	5
Minimum separate account	$10,000,000

Walter Scott International, a subsidiary of Walter Scott & Partners, managed $217 million in international equity accounts for U.S. tax-exempt clients as of March 31.

The assets were committed most heavily to the United Kingdom, 9%; France, 4%; Netherlands, 6%; Japan, 64%; and Hong Kong, 11%.

As of the same date, it had $20 million in global equity accounts, committed most heavily to the United Kingdom, 4%; Sweden, 2%; Japan, 24%; Hong Kong, 8%; and the United States, 58%.

The firm had $45 million in commingled accounts.

The firm's objective is to provide a 6% real rate of return. Portfolios are structured by identifying the top quartile of world growth sectors and owning companies with internal growth rates of more than 20%. Geographic allocation is a result of the identification process.

Analysts or portfolio managers are in Edinburgh.

The firm reported a $50 million net gain in U.S. institutional tax-exempt business in the year ended March 31 for international and global accounts.

The firm has non-U.S. currency hedging capability and has been registered with the SEC since 1985.

Walter G. Scott is chief executive officer; Richard Miller is client contact.

Scudder, Stevens & Clark

345 Park Ave., New York, N.Y. 10154; (212) 326-6200

Total assets managed	$38,435,000,000
U.S. tax-exempt assets managed:	
Total	$11,052,000,000
International	$492,000,000
Global	$73,000,000
U.S. tax-exempt clients	625
Minimum separate account	$10,000,000

Scudder, Stevens & Clark managed $492 million in international equity accounts for U.S. tax-exempt clients as of March 31.

The assets were committed most heavily to the United Kingdom, 14%; France, 12%; Switzerland, 8%; Netherlands, 8%; and Japan, 26%.

As of the same date, it had $65 million in global equity and $8 million in global balanced accounts.

The global equity assets were committed most heavily to the United Kingdom, 14%; Switzerland, 6%; Netherlands, 6%; Canada, 8%; and the United States, 43%.

The firm had $310 million in mutual funds.

The investment approach is both top-down and bottom-up. Assessments of the global economy and local market and currency factors meshed with in-depth security analysis.

Analysts or portfolio managers are in New York, Boston and Tokyo.

The firm reported a $75 million net gain in U.S. institutional tax-exempt business in the year ended March 31 for international and global accounts.

The firm has non-U.S. currency hedging capability and has been registered with the SEC since 1943.

Nicholas Bratt, managing director, is chief executive officer; Victoria J. Herget, principal, is client contact in Chicago at (312) 861-2700.

State Street Bank and Trust

225 Franklin St., Boston, Mass. 02110; (617) 786-3000

Total assets managed	$32,700,000,000
Non-U.S. pension assets	$912,000,000
U.S. tax-exempt assets managed:	
Total	$29,000,000,000
International	$3,753,000,000
Global	$278,000,000
U.S. tax-exempt clients	200
Minimum separate account	$10,000,000

State Street Bank and Trust Co., a subsidiary of State Street Boston Corp., managed $3.753 billion in international equity accounts for U.S. tax-exempt clients as of March 31.

The assets were committed most heavily to the United Kingdom, 13%; Germany, 4%; France, 3%; Switzerland, 2%; and Japan, 64%.

As of the same date, it had $278 million in global equity accounts, committed most heavily to the United Kingdom, 9%; Germany, 3%; Japan, 43%; Canada, 3%; and the United States, 30%.

The firm had $1.459 billion in commingled accounts and $3.686 billion in index funds.

The firm concentrates on disciplined, quantitative strategies, including EAFE and other international index funds; country selection funds that actively weight the EAFE country allocations; and a high value stock selection strategy driven by low price/book values. Customized portfolios and an international bond fund also are offered

Analysts or portfolio managers are in Boston.

The firm reported a $452 million net gain in U.S. institutional tax-exempt business for international and global accounts in the year ended March 31.

The firm has non-U.S. currency hedging capability.

Nicholas A. Lopardo is chief executive officer; Peter E. Braun is client contact at (617) 654-3953.

Strategic Investment Partners

2000 K St. N.W., Washington, D.C. 20006; (202) 785-2300

Total assets managed	$2,600,000,000
U.S. tax-exempt assets managed:	
Total	$2,600,000,000
Global	$2,600,000,000
U.S. tax-exempt clients	3
Minimum separate account	$50,000,000

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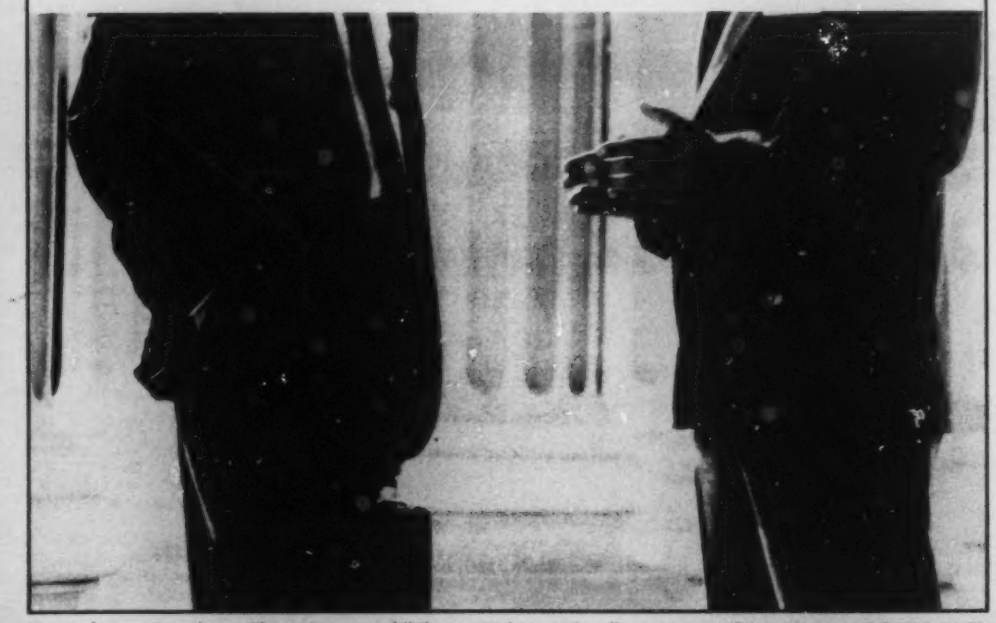

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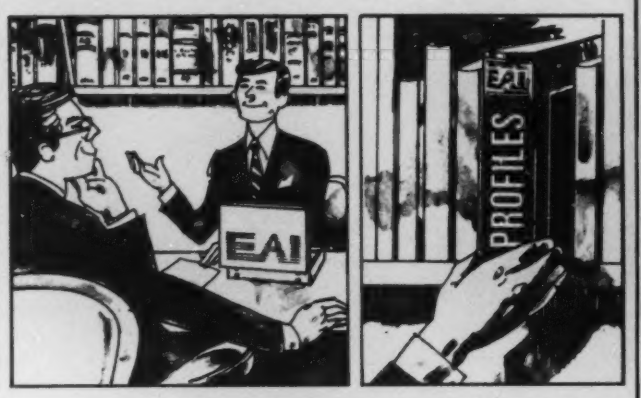

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Because all of the assets are managed by external managers, its figures are not included in the survey's aggregate data.

The global equity assets were committed most heavily to the United States, 34%; United Kingdom, 3%; Japan, 2%; Germany, 2%; and Australia, 1%.

The firm had $84 million in index funds.

The firm is an active manager of total fund assets, taking responsibility for design and day-to-day implementation of investment policy and for investment returns.

The firm reported a $2.5 billion net gain in U.S. institutional tax-exempt business for global accounts in the year ended March 31.

The firm has non-U.S. currency hedging capability and has been registered with the SEC since 1987.

Hilda M. Ochoa is chief executive officer; Mary Choksi is client contact.

Templeton International

500 E. Broward Blvd. 2100, Fort Lauderdale, Fla. 33391; (305) 764-7390

Total assets managed	$2,400,000,000
Non-U.S. pension assets	$95,000,000
U.S. tax-exempt assets managed:	
Total	$2,076,000,000
Global	$2,076,000,000
U.S. tax-exempt clients	46
Minimum separate account	$10,000,000

Templeton International, a subsidiary of Templeton Galbraith & Hansberger, managed $2 billion in global equity and $76 million in global fixed-income accounts as of March 31.

The equity assets were committed most heavily to the United Kingdom, 9%; Australia, 11%; Hong Kong, 6%; Canada, 8%; and the United States, 36%.

The investment approach is stock selection oriented and is based on value orientation, flexibility, global perspective and discipline.

Analysts or portfolio managers are in Nassau, London, Hong Kong and Fort Lauderdale.

The firm has been registered with the SEC since 1979.

Tom Hansberger is chief executive officer; Brett Blyler is client contact.

Warburg Investment Management International

787 Seventh Ave., New York, N.Y. 10019; (212) 459-7150

Total assets managed	$1,785,000,000
Non-U.S. pension assets	$303,000,000
U.S. tax-exempt assets managed:	
Total	$1,324,000,000
International	$791,000,000
Global	$533,000,000
U.S. tax-exempt clients	28
Minimum separate account	$10,000,000

Warburg Investment Management International Ltd., a subsidiary of Mercury Asset Management Group PLC, managed $565 million in international equity and $226 million in international fixed-income accounts for U.S. tax-exempt clients as of March 31.

The equity assets were committed most heavily to the United Kingdom, 8%; Germany, 4%; France, 3%; Switzerland, 4%; and Japan, 29%.

As of the same date, it had $390 million in global equity and $143 million in global fixed-income accounts.

The global equity assets were committed most heavily to the United Kingdom, 5%; Germany, 3%; Switzerland, 3%; Japan, 19%; Canada, 3%; and the United States, 17%.

The firm had $10 million in commingled accounts.

The firm actively manages funds based on fundamental global research. Equity management combines top-down and bottom-up fundamental approaches with stocks analyzed against criteria including earnings growth, management and product strength. Fixed-income management is top-down with currency and bond investment decisions taken separately.

Analysts or portfolio managers are in New York, London, Tokyo and Melbourne.

The firm reported a $414 million net gain in U.S. institutional tax-exempt business for international and global accounts in the year ended March 31.

The firm has non-U.S. currency hedging capability and has been registered with the SEC since 1976.

Robert P.B. Michaelson, chairman, is chief executive officer. Colin Clark, assistant director, is client contact for equity accounts; Carolyn Sykes, director, is client contact for fixed-income accounts.

Wellington International Investors

28 State St., Boston, Mass. 02109; (617) 227-9500

Total assets managed	$30,467,000,000
U.S. tax-exempt assets managed:	
Total	$9,026,000,000
International	$245,000,000
U.S. tax-exempt clients	191
Minimum separate account	$10,000,000

Wellington International Investors, the international division of Wellington Management Co./Thorndike, Doran, Paine & Lewis, managed $240 million in international equity and $5 million in international fixed-income accounts for U.S. tax-exempt clients as of March 31.

The equity assets were committed most heavily to the United Kingdom, 7%; Germany, 8%; France, 7%; Switzerland, 7%; and Japan, 41%.

There was $109 million in commingled accounts.

Stock selection is based on detailed fundamental analysis by its internal research staff. It offers separate and commingled accounts, including international established growth stock, international emerging company stock, Pacific Basin, global equity and international bond investing.

Analysts or portfolio managers are in Atlanta, Boston, Valley Forge, Washington and London.

The firm reported a $67 million net gain in U.S. institutional tax-exempt business for international accounts in the year ended March 31.

The firm has non-U.S. currency hedging capability and has been registered with the SEC since 1960.

Robert W. Doran is chief executive officer; Dena G. Willmore, senior vice president, is client contact.

Wells Fargo Investment Advisors

50 California St., San Francisco, Calif. 94111; (415) 434-6000

Total assets managed	$56,000,000,000
Non-U.S. pension assets	$773,000,000
U.S. tax-exempt assets managed:	
Total	$55,307,000,000
International	$850,000,000
Global	$121,000,000
U.S. tax-exempt clients	238
Minimum separate account	$100,000,000

Wells Fargo Investment Advisors, a subsidiary of Wells Fargo & Co., managed $850 million in international equity accounts for U.S. tax-exempt clients as of March 31.

The assets were committed most

PFC. FFM

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In 1987 KfW succeeded once more in reaching its goal for the year and at the same time strengthened its potential for future development. Domestic investment loans were concentrated in two areas: small and medium-sized enterprises (DM 5.0 billion) and environmental protection (DM 2.1 billion). German exporters benefited from total credits of DM 3.2 billion. Development assistance funds appropriated by the Federal Government (DM 2.7 billion) were mainly used to finance projects in Africa and Asia, including for the first time structural aid to improve the macro-economic framework.

In the coming years KfW will see a considerable increase in domestic investment loans – not least as a result of the DM 21 billion financial programme for local authorities and small and medium-sized enterprises launched recently by the Federal Government.

A copy of KfW's 1987 Annual Report is available upon request.

KfW Kreditanstalt für Wiederaufbau

P. O. Box 111141
D-6000 Frankfurt am Main 1
Federal Republic of Germany

heavily to the United Kingdom, 17%; Germany, 8%; France, 5%; Switzerland, 4%; and Japan, 52%.

As of the same date, it had $121 million in global equity accounts, committed most heavily to the United Kingdom, 9%; Germany, 3%; France, 2%; Japan, 45%; and the United States, 33%.

All international and global assets were in commingled index funds.

The firm's international index funds are designed to replicate the performance of the world's capital markets. It has the capability to accurately replicate the EAFE, the Goldman Sachs FTA Europe & Pacific, the Salomon Russell PMI Europe-Pacific Composite and the Salomon Brothers World Government bond index.

Analysts or portfolio managers are stationed in San Francisco.

The firm reported a $291 million net gain in U.S. institutional tax-exempt business in the year ended March 31.

The firm has non-U.S. currency hedging capability and has been registered with the SEC since 1985.

Frederick L.A. Grauer, chairman, is chief executive officer; Michael L. Henman, senior vice president, is client contact.

Wertheim-Philippe International

230 Park Ave., New York, N.Y. 10169; (212) 370-6140

Total assets managed	$601,000,000
Non-U.S. pension assets	$452,000,000
U.S. tax-exempt assets managed:	
Total	$171,000,000
Global	$171,000,000
U.S. tax-exempt clients	3
Minimum separate account	$10,000,000

Wertheim-Philippe International, a joint venture between Wertheim Asset Management Services Inc. and the Philippe Group, managed $171 million in global equity accounts for U.S. tax-exempt clients as of March 31.

The assets were committed most heavily to the United Kingdom, 15%; Germany, 10%; France, 11%; Japan, 21%; and the United States, 14%.

The investment style incorporates both top-down and bottom-up methodologies. Equal weight is placed on country, sector and stock decisions. It is active in country and sector decisions and moderate in use of cash equivalents. Portfolios are diversified with approximately 100 securities. Generally, one-third of the holdings are in smaller-cap issues and 30% to 40% are not in the representative indexes.

Analysts or portfolio managers are in New York, Paris and Luxembourg.

The firm reported a $28 million net gain in U.S. institutional tax-exempt business for global accounts in the year ended March 31.

The firm has been registered with the SEC since 1982.

Beatrice Philippe, managing director, is chief executive officer; Steven W. Golann is client contact.

WorldInvest Ltd.

55-56 Russell Square, London WC1B 4HP U.K.; 011-44-1-637-3322

Total assets managed	$2,354,000,000
Non-U.S. pension assets	$148,000,000
U.S. tax-exempt assets managed:	
Total	$1,424,000,000
International	$689,000,000
Global	$735,000,000
U.S. tax-exempt clients	20
Minimum separate account	$10,000,000

WorldInvest Ltd., a subsidiary of WorldInvest (Holdings) Ltd., managed $172 million in international equity and $517 million in international fixed-income accounts for U.S. tax-exempt clients as of March 31.

The equity assets were committed most heavily to the United Kingdom, 25%; France, 11%; Spain, 26%; Netherlands, 6%; and Hong Kong, 6%.

As of the same date, it had $104 million in global equity and $631 million in global fixed-income accounts.

The global equity assets were committed most heavily to the United Kingdom, 19%; France, 7%; Spain, 18%; Hong Kong, 7%; and the United States, 28%.

The firm had $98 million in commingled accounts.

The firm follows a three-step process. Objectives and risk/return parameters are mutually agreed upon. It practices active, discretionary management, with a top-down, disciplined team approach. Consensus expectations, reflected in market valuations, are assessed and compared to in-house analysis, with prospective risk/return profiles developed from alternative scenarios. Its global strategy uses common assumptions for fixed and equity that are collectively agreed upon and implemented. Sector and market currency decisions are assessed separately.

Analysts or portfolio managers are in London.

The firm reported a $330 million net gain in U.S. institutional tax-exempt business for global and international accounts in the year ended March 31.

The firm has non-U.S. currency hedging capability and is registered with the SEC.

Keith Brown, chairman, is chief executive officer; Francois Dennery, director, is client contact at (212) 755-0900.

Top 50 managers ranked by total U.S. tax-exempt assets in international accounts as of March 31

	($ millions)
State Street Bank	3,753
Capital Guardian	2,458
J.P. Morgan	2,436
Morgan Grenfell	2,275
First Chicago	2,198
Grantham Mayo	1,981
Baring International	1,902
Rowe Price-Fleming	1,611
Schroder Capital	1,600
Fidelity International	1,550
N.M. Rothschild	1,162
Nomura Capital	1,130
Batterymarch	1,016
Wells Fargo	850
Warburg Investment	791
Oechsle International	743
WorldInvest	689
Brown Brothers Harriman	631
G.T. Capital	613
Mellon-Pictet	611
Citicorp Investment	601
Alliance Capital	578
Kemper-Murray Johnstone	498
Julius Baer	496
Scudder, Stevens & Clark	492
Daiwa International	481
Bankers Trust	460
IDS International	448
PCM International	418
Posthorn Global	396
ABD International	343
Arnhold & S. Bleichroeder	320
Capital Mgmt. International	261
Chase Investors	250
Wellington International	245
Putnam Advisory	239
SbC Portfolio Mgmt.	236
Hill Samuel/Invest. Advisers	225
American National Bank	221
Walter Scott	217
Bessemer Group*	190
Boston International	181
Boston Co.	167
Lombard Odier	160
Martin Currie	135
Fiduciary Trust*	116
Beutel, Goodman	0
Massachusetts Financial	0
Templeton International	0
Wertheim-Philippe	0
TOTAL	**38,374**

* As of Dec. 31, 1987

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Swiss ID regulation causes furor

By John Parry

GENEVA, Switzerland — A new law requiring fiduciary companies to identify their clients to the government is causing an uproar among the secretive Swiss.

The law, effective July 1, requires fiduciaries buying stocks or opening bank accounts to disclose for whom they are acting. Previously, the fiduciary simply had to say it was acting on a customer's behalf.

Executives at Swiss fiduciary companies believe the government has been strong-armed by the U.S. Securities and Exchange Commission, which pushed for the law as part of its efforts to collect information on insider-trading activities.

Swiss bankers insist the law will not mean an end to Switzerland's system of numbered bank accounts. But it is designed to prevent investors from taking unfair advantage of banking secrecy here to play markets illegally elsewhere, according to President and Finance Minister Otto Stich. (Under the Swiss system, each cabinet minister serves a year as president.)

But industry officials fear the legislation is but a hole in the dike of Switzerland's secrecy laws.

Anton Keller, president, of the Swiss Investors Protection Association, Zurich, said the changes will lead to loss of business for Swiss companies. The association fought strongly against the legislation.

"What this new legislation effectively does is to make it less interesting for foreigners, and particularly institutional investors, to put their money in Switzerland because there's always the risk that information will be passed on by our authorities to the SEC," Mr. Keller said.

"This will mean that business which would normally come to Switzerland would divert to Austria and Luxembourg, which are not compelled to provide such information to foreign regulators. We are giving up our traditional bank secrecy for no good reason, just because the Americans tell us to."

An executive at one Geneva-based fiduciary company, who asked not to be identified, expects business to drop drastically if and when U.S. authorities start interpreting the law as being a license to ask for more information on investments in Switzerland.

"Of course, maybe we are crying wolf, but there is now a distinct route for the SEC or other authorities to go if they want people like ourselves to reveal who we are working for," the executive said.

"Our own business is not concerned with individual clients but corporations and other major investors who want to conduct complicated transactions through Switzerland involving the movement of millions of dollars into and out of bonds and securities through Europe. The great charm of our operation before was that this could be done anonymously. Now, the question remains, can it still?"

Rene Ruchat, head of Fiduciare Ruchat, a small Geneva fiduciary company, said the law killed plans to develop a foreign clientele for money management services. "We thought we could build up a solid foreign business. I can't see this happening now," he said.

Faith Ryan Whittlesey, U.S. ambassador to Switzerland, takes a different view. The U.S. government pressed for an agreement, signed in November, relating to the prosecution of insider-trading cases to avoid protracted court battles, Ms. Whittlesey said in a speech earlier this month. There is no hidden intent to break into Swiss banking secrecy, she added.

The main thrust of the agreement and the new Swiss law is to enable the Swiss to provide quick information on cases such as the laundering of money in the Iran-contra scandal, she said.

Swiss authorities reacted with alacrity to U.S. requests for information in that case, suspending bank secrecy to release information on numbered accounts.

Swiss banks acquiesced because they were convinced the U.S. government had a case, but might not be so ready to do so again, said Daniel Menoud, a financial analyst at Banque Cantonale Genevois, Geneva. This led to the Swiss government's rush to implement the legislation by July 1, instead of this fall as originally planned.

While the new legislation might raise some problems for institutional investors, another problem might be coming to a head.

Opponents of a trend among major Swiss companies to restrict the sale of more than 2% of their registered shares to any one shareholder (*Pensions & Investment Age*, May 30) have come up with a powerful ally — Markus Lusser, president of the Swiss National Bank, Bern, Switzerland's central bank.

"I have an uneasy feeling that this trend is limiting the liquidity of the markets," Mr. Lusser said at a recent press conference. His comments followed by two days similar criticism from the Association of Foreign Banks, which said the process effectively blocks foreign investors from taking meaningful positions in Swiss industry.

Restricting foreign ownership is exactly what the process is supposed to do, according to Patrick Kearley, a Geneva-based freelance banking consultant. The process was initiated after World War II to prove Swiss ownership of companies whose foreign assets would have been confiscated by the Allies if the companies could be proved to be German-owned. Now, according to Mr. Kearley, about 75 major Swiss companies apply the practice, although opposition to it is increasing.

"I think the fact that the president of the national bank has come out against it is going to make some of those 75 think again," Mr. Kearley said. "A Swiss company thinks twice before it goes head-to-head with Markus Lusser." ■

Hard to classify

Continued from page 19

as growth equity managers, he said, noting the style's definition isn't the same in the United States.

Some international firms with specialized styles have explored whether popular domestic styles can pay off overseas. Acadian Asset Management Inc., a new international manager in Boston, and Provident Capital Management, Philadelphia, which buys stocks with low price-earnings ratios, have back-tested the efficacy of a low p/e approach in international.

Acadian, which offers a small-cap product, found evidence of a positive small-cap performance effect in the major world markets with the principal exception of West Germany, according to Ronald Frashure, executive vice president. The firm also uses low price-book, a proprietary dividend discount model, specific return reversal (used by Barr Rosenberg in the U.S. market) and inputs on earnings estimate changes from the recently launched international version of the I/B/E/S service.

The best historic results in the period from the end of 1974 to the end of 1987 came from small-cap and value criteria used together, Mr. Frashure said.

Provident, on studies of 1,500 stocks in six major markets dating back to 1978, found that low p/e stocks provide superior international returns, according to Sandor Cseh, vice president. ■

Top 15 managers ranked by total U.S. tax-exempt assets in international and global fixed income

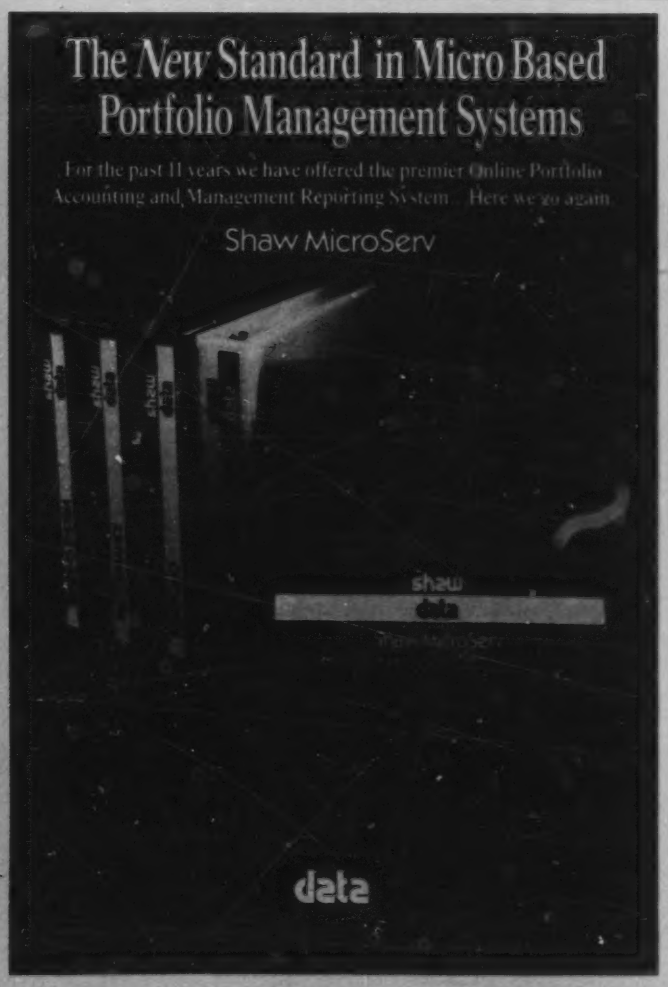
First Chicago	1,482
WorldInvest	1,148
J.P. Morgan	957
PCM International	759
N.M. Rothschild	626
Julius Baer	579
Fiduciary Trust*	469
Baring International	410
Kemper-Murray Johnstone	375
Warburg Investment	369
Citicorp Investment	333
Bankers Trust	294
Rowe Price-Fleming	250
Morgan Grenfell	242
Beutel, Goodman	241

* As of Dec. 31, 1987

Top 50 managers ranked by total U.S. tax-exempt assets in global accountsas of March 31

	($ millions)		($ millions)
Templeton International	2,076	N.M. Rothschild	59
Batterymarch	944	Lombard Odier	57
WorldInvest	735	Alliance Capital	23
PCM International	567	Walter Scott	20
Warburg Investment	533	ABD International	16
Rowe Price-Fleming	446	Brown Brothers Harriman	15
Fiduciary Trust*	444	G.T. Capital	15
Morgan Grenfell	409	SBC Portfolio Mgmt.	13
J.P. Morgan	290	Nomura Capital	11
State Street Bank	278	Hill Samuel/Investment Advisers	3
Posthorn Global	276	American National Bank	0
Fidelity International	275	Baring International	0
Capital Guardian	243	Bessemer Group*	0
Beutel, Goodman	241	Arnhold & S. Bleichroeder	0
Citicorp Investment	205	Boston Co.	0
Massachusetts Financial	175	Boston International	0
Wertheim-Philippe	171	Capital Mgmt. International	0
Bankers Trust	147	Chase Investors	0
Schroder Capital	136	Daiwa International	0
Martin Currie	125	Grantham Mayo Van Otterloo	0
Wells Fargo	121	Kemper-Murray Johnstone	0
IDS International	118	Mellon-Pictet	0
First Chicago	116	Oechsle International	0
Julius Baer	114	Putnam Advisory	0
Scudder, Stevens & Clark	73	Wellington International	0
		TOTAL	9,490

* As of Dec. 31, 1987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Fixed income

Continued from page 19

International Ltd., each up 59%; and Oechsle International Advisors, with 51%.

Eight firms joined the top 50 and six left the ranking.

The newcomers are: American National Bank & Trust Co. of Chicago; Walter Scott International; Boston International Advisors Inc.; Massachusetts Financial Services Co.; Wertheim- Philippe International; and The Boston Co.. Also new on the list are Wells Fargo Investment Advisors and Beutel, Goodman International PLC, which were omitted inadvertently from last year's directory.

Dropping from the list are:

BEA Associates; Baillie Gifford Overseas; Ivory & Sime International; Centerre Trust Co. of St. Louis; Kleinwort Benson International Investment Ltd.; and Eaton Vance Management, which was listed as an international manager last year because of incorrect figures from the firm.

Ten firms slipped considerably in rank. Boston-based Fidelity International Investment Advisors Ltd.'s assets fell to $1.825 billion from $2.3 billion a year earlier, ranking the firm 11th vs. sixth. Last year's assets could have been overstated because Canadian accounts might have been included, said William Fink, senior vice president.

Other firms that fell more than five notches, their ranking this year and their previous ranking, include: ABD International Management Corp., to 33 from 17; Fiduciary Trust Co. International, to 30 from 19; Daiwa International Capital Management Corp., to 32 from 26; Hill Samuel/Investment Advisers Ltd., to 43 from 32; and The Bessemer Group Inc., to 46 from 40.

Assets of Frank Russell Trust Co. and Strategic Investment Partners are not included in the totals because the firms are managers of managers.

While there were few changes in the lineup of top international managers, managers made big gains in global accounts.

Templeton International stayed on top although its assets shrunk to $2.076 billion from $2.7 billion. Batterymarch Financial Management climbed to second place from 26th because many new and existing domestic accounts moved to global investing, including one existing account of $500 million. WorldInvest was third, increasing global assets 129%, followed by PCM International, which more than tripled its assets in global accounts. ■

Social issues

Continued from page 1

Local Retirement Systems, Albany, and the General Board of Pensions, United Methodist Church, Evanston, Ill., sponsored a resolution asking Gillette to leave South Africa; it won 21.9% of the shares voted. The Los Angeles Unified School District sponsored a resolution asking Gillette to withdraw its operations and cut all other economic ties; 21.4% of shares were voted in favor of it.

A withdrawal resolution also was presented in 1987, winning 18% of shares voted then.

Support for withdrawal resolutions dropped significantly from 1987 totals at some companies, according to IRRC data. At Phelps Dodge Corp., support dropped to 9.4% from 22%; at Dresser Industries Inc., it fell to 11.6% from 20.9%; at Upjohn Co., it fell to 9.4% from 18%.

Corporate managements were pleased with these results, but stopped short of saying shareholder activism is losing ground.

"We would like to believe that this represents that a large number of our shareholders agree with the company's position," said Jessyl Bradford, public affairs associate at Upjohn. Management's position, is that it is better to maintain operations and work against apartheid from within South Africa than to withdraw, she said.

She added Upjohn is a signatory of the Statement of Principles, a non-discriminatory code of conduct for companies operating in South Africa.

On average, South Africa withdrawal resolutions were supported by 11.2% of the shares voted in 1988, compared with 12.2% last year. In addition to the companies in which support for such resolutions dropped significantly, there were a few where it rose a great deal — at Colgate-Palmolive Co., for instance, a resolution drew 17% of the vote, up from 10.2% — and several where it was basically unchanged.

An encouraging note for activist shareholders was the support for resolutions calling not only for withdrawal from South Africa, but severance of non-equity ties. While the latter approach is more drastic, these resolutions drew nearly as much shareholder support, 10.7%, as withdrawal-only resolutions, Ms. Mathiasen said.

Also, resolutions asking companies that do not have assets in South Africa to break other links drew support from an average of 11.7%, she said.

Activist shareholders found these developments heartening.

"There's been a shift," said Tim Smith, executive director of the Interfaith Center on Corporate Responsibility, New York, which sponsored numerous South Africa-related resolutions. "The issue is not just are you in South Africa, but who do you sell products to there and how are they used."

The top vote-getters among resolutions asking companies without direct investments in South Africa to cut other ties were at Emery Air Freight Corp., 19.3%; and Sundstrand Corp., 19.2%. The former was sponsored by the Interfaith Center, the latter by the Los Angeles school district.

Another notable South Africa vote was at CBI Industries Inc., where a resolution asking the company to sign the Statement of Principles won 23.6% of the shares voted.

Emery, Sundstrand and CBI all have a relatively small number of outstanding shares, making it easier for a few large investors to tip the vote, Ms. Mathiasen said.

Still, votes of this size lead companies to re-examine their positions, said Jon Lukomnik, spokesman for the New York City Employees' Retirement Systems, one of the sponsors of the CBI resolution. He said the city funds' policy is not to call for companies to withdraw from South Africa, but to run operations there in a manner that is both socially responsible and good for business.

One of the New York City funds, the Teachers' Retirement System, sponsored the top vote-getter among resolutions related to operations in Northern Ireland. The resolution, at Interface Inc., was supported by 22.8% of shares voted. It asked the company to endorse the MacBride Principles, a code of conduct aimed at ending religious discrimination in Northern Ireland.

To date, no U.S. company has endorsed the principles. Several have expressed the concern, as did Interface in its proxy material, that adhering to the code could constitute reverse discrimination and therefore violate British law.

Resolutions on Northern Ireland, submitted at 16 companies, won an average of 7.6% support, up from 6.2% among 10 proposals in 1987. Support for such resolutions fell slightly at most companies that had faced them previously, but the heavy support at Interface pushed the average up. Interface also has a small number of outstanding shares, Ms. Mathiasen said.

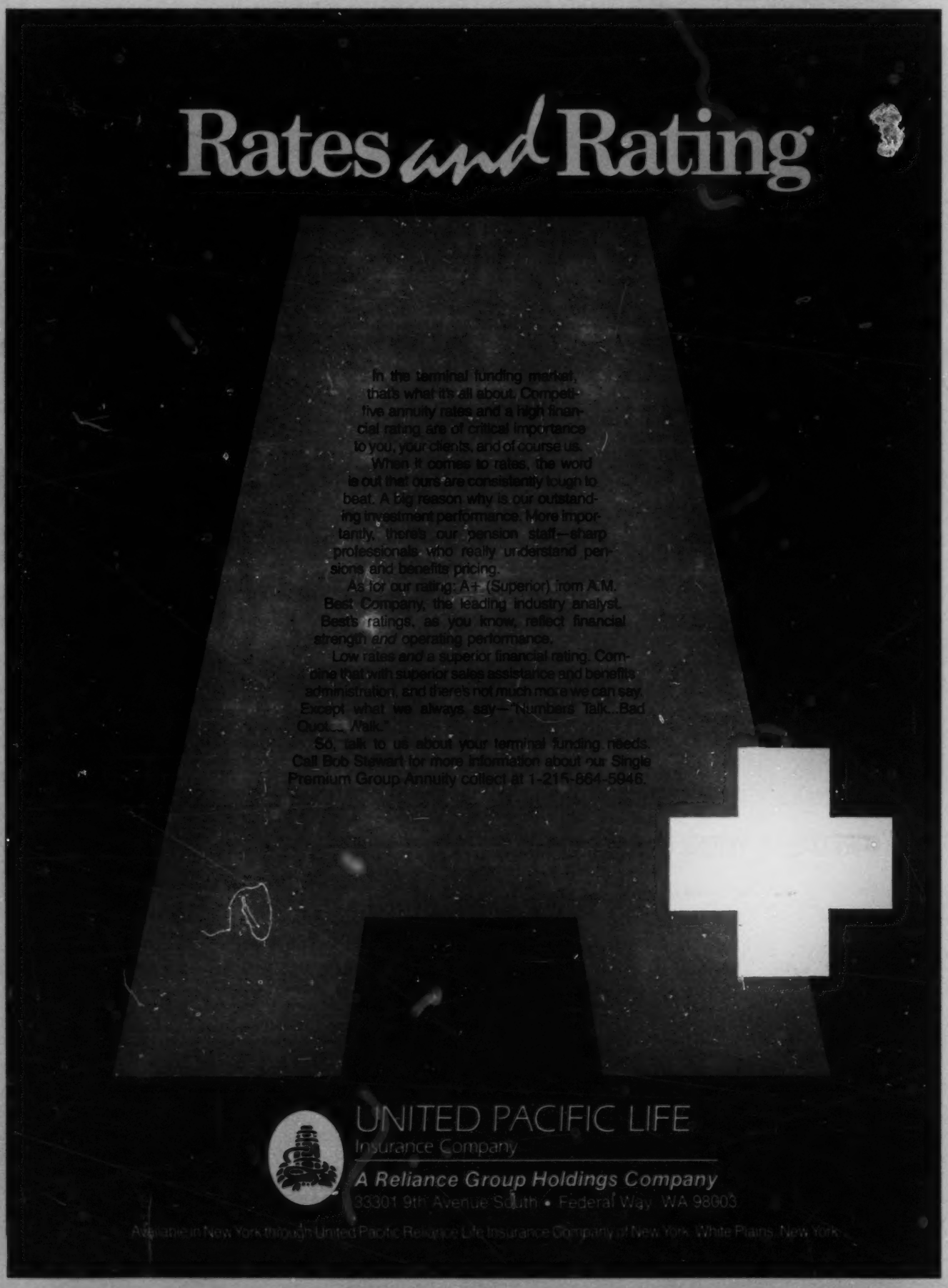
Mr. Lukomnik said shareholder activism on Northern Ireland is gaining ground after a small start.

Most of the Northern Ireland resolutions called for endorsement of the MacBride Principles or review of Northern Ireland operations; none called for withdrawal.

Other social issues prominent this year were military issues and animal testing. Of the 17 proposals on military issues, 10 are eligible for resubmission. All eight proposals on animal testing are eligible.

Most proposals on military issues asked for companies to submit plans for converting to non-military production, questioned whether they should lose their defense contracts, or report on their involvement with development of the Strategic Defense Initiative.

Seven of the animal testing resolutions asked for companies to report on progress toward phasing out such testing. The other asked for information on involvement with testing. ■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Proxy battles spawn debate

By Marcia Parker

The 1988 proxy season is wrapped up, the results are in and the debate is on over whether shareholder opposition to poison pills is growing.

Proxy solicitors representing corporate clients and institutional investors who sponsored shareholder resolutions are quibbling over how to interpret the voting results on anti-poison pill resolutions at 19 companies, including 10 at companies whose shareholders voted on such proposals last year.

Institutional investors say shareholder support to rescind poison pills clearly is growing; companies say it's shrinking (*Pensions & Investment Age*, June 13).

According to Georgeson & Co., a leading New York proxy solicitation firm, for the 19 companies targeted with rescission proposals in 1988, an average of 26.4% of the outstanding shares voted in favor. In 1987, the 30 targeted companies averaged 20.8% of outstanding shares voted in favor.

Ten companies — United Technologies Corp., Upjohn Corp., Great Northern Nekoosa Corp., Pitney Bowes Inc., Emery Air Freight Corp., International Paper Co., Champion International Corp., AMR Corp., Santa Fe Southern Pacific Corp. and J.C. Penney Co. — were targeted with anti-poison pill resolutions both years.

But John Wilcox, managing director of Georgeson, said the voting statistics do not reveal a trend of growing shareholder support for the proposals.

"Increased institutional ownership and careful selection of target companies by the proponents, rather than increased shareholder support, appear to have been largely responsible for the higher average votes this year than last," he said. "The proponents targeted only 10 of the 30 companies that faced the same issue last year. By narrowing the selection process to those companies with the highest votes last year, the proponents ensured an increase in their average score of at least four percentage points."

Executives representing several institutional investors that sponsored anti-poison pill resolutions, including the California Public Employees' Retirement System, Sacramento, and the State of Wisconsin Investment Board, Madison, challenged Mr. Wilcox's assessment of the results.

"They are just trying to minimize any gains," said Jose Arau, principal investment officer for the California fund, one of the most activist institutional investors in the corporate governance field.

Peg O'Hara, director of corporate governance issues for the Investor Responsibility Research Center Inc., an independent Washington-based group, said she doesn't see "how anyone can deny that shareholder opposition to poison pills was higher this year than last year, as shown by the votes on these shareholder proposals. One proposal won a clear majority of the shares voted, another won a plurality; at seven companies, more than 40% of the shares voted supported the anti-poison pill resolutions, and across the board, no matter how you count the votes, the average vote was more than 9% higher than last year," Ms. O'Hara said.

"To say it was because of higher institutional ownership or more selective targeting of companies or to quibble over how the votes should be counted seems to me to beg the question. The point is that institutions do own a lot of shares in a lot of companies, and they have a right to vote their proxies. As fiduciaries, pension plans also have a legal responsibility to vote them solely in the best interest of the beneficiaries of their plans."

She said many institutional investors believe poison pills, greenmail and other anti-takeover measures are hurting the value of their stock, so they're speaking up in the only way open to them.

"They're raising the issue through shareholder proposals, which are purely advisory, not binding on the board of directors. They're using the process to try to draw attention to the issues, trying to get management to listen to their views," she said. "If an individual shareholder owned 30% or 50% or 70% of a company, I think most managements would go out of their way to communicate with him and respect his views. What these institutions are saying is, why should it be any different with them? They are, after all, the owners of the company."

The highest anti-poison pill vote in 1988 was at Santa Fe Southern Pacific, where 77 million shares were voted in favor of the rescission proposal — 40.1% of the shares outstanding or 59.1% of the shares voted on the issue. Mr. Wilcox, however, argued Santa Fe is an extraordinary situation. Two institutional investors — The Henley Group Inc., La Jolla, Calif., and Olympia & York Development Ltd., Toronto — together owned more than 35% of the outstanding shares on the record date. Presuming they voted their shares in favor of the proposal, only 28.9% of the remaining votes cast supported the proposal, less than the average, he said.

Georgeson said its analysis of the nine companies, excluding Santa Fe, that were targeted for proposals in both years, shows the vote in favor was actually 1.3 percentage points lower in 1988 than in 1987 — 23.2% of outstanding in 1988 vs. 24.5% of outstanding in 1987. This decline occurred despite increased efforts by the proponents and a 0.7 percentage point increase in institutional ownership of the nine companies.

The proxy firm said in both 1988 and 1987 the votes in favor of the proposals tended to correlate with the percentage of institutional ownership. ■

Manager lures away fund chief

CHICAGO — Samuel W. Anderson is resigning as executive director of the $7 billion Teachers' Retirement System of the State of Illinois, Springfield, to become chief administrative officer and managing director of First Chicago Investment Advisors.

Mr. Anderson said he will officially start at First Chicago July 1.

He has been executive director of the teachers' system for eight years.

In his newly created position at First Chicago, he will head the firm's administration division, which consists of the account management, marketing systems, control and legal units. He will direct operations and head new business development.

Also at First Chicago, Denis S. Karnosky was promoted to managing director and head of the asset allocation division from vice president. He joined First Chicago in 1987 from the Chicago office of Carroll McEntee & McGinley Inc., New York, where he directed risk management research and development.

Summary of voting results of 1988 shareholders

	Georgeson: Votes cast with abstentions	Georgeson: Votes outstanding no abstentions	IRRC: Votes cast no abstentions
Shareholder rights			
Consolidated Freightways	42.4	34.8	45.8
Allied-Signal	31.5	24.5	32.6
Panhandle Eastern	34.8	27.9	37.4
Sonat	27.8	20.5	31.3
MCA	21.7	17.5	26.3
Kerr-McGee	38.8	29.9	45.5
USAir	47.7	34.4	51.9
Coleman	35.4	25.8	35.7
Dayton Hudson	47.5	28.1	48.4
United Technologies	28.6 (28.3)	23.7 (24.3)	33.5 (32.9)
Great Northern Nekoosa	43.7 (43.7)	32.2 (28.6)	47.0 (40.2)
Pitney Bowes	28.8 (32.6)	21.5 (23.9)	32.5 (32.6)
Emery Air Freight	38.7 (33.9)	20.3 (26.0)	39.3 (41.4)
International Paper	25.7 (26.3)	15.1 (18.7)	27.0 (27.7)
Champion International	23.6 (30.7)	18.9 (19.9)	28.2 (33.2)
Upjohn	30.0 (34.5)	21.1 (26.8)	31.1 (40.0)
AMR	40.5 (37.9)	29.6 (27.4)	45.9 (45.9)
Santa Fe Southern Pacific	59.1 (20.1)	49.1 (14.0)	61.2 (20.1)
J.C. Penney	32.7 (31.6)	27.0 (25.3)	35.2 (31.5)
Confidential voting			
Honeywell	17.1	13.0	20.1
Manufacturers Hanover	9.9	8.2	13.1
Champion Spark Plug	7.3	5.7	7.3
Phelps Dodge	28.1	18.8	27.9
Ryder Systems	22.0	18.2	25.3
Lockheed	16.2	12.7	19.3
American Home Products	9.4	7.4	11.9
Santa Fe Southern Pacific	28.9	24.1	29.9
Upjohn	14.3	10.0	14.8
Equal access			
Bank of Boston	6.8	5.6	7.6
Unocal	11.0	8.9	11.6
Amoco	8.0	6.3	8.3
Chevron	6.8	4.9	7.1
Texaco	NA	NA	NA
Mobil	NA	NA	9.3
Anti-greenmail			
CBS	7.0	4.6	7.0
General Motors	19.4	14.3	22.1
Tenneco	19.2	15.5	28.2
Gillette	54.6	41.1	55.7
J.C. Penney	27.2	22.4	34.0

Numbers in parentheses indicate 1987 figures

'Hit list'

Continued from page 1

the Allied-Signal or Gillette letters or the target companies' proxy season activities as improper. The department will not comment, except to confirm monitoring is under way.

The Texaco case probably is on the monitoring list because the proxy battle was so hostile. In the end, Texaco shareholders supported management in the bitter contest with the company's largest stockholder, corporate raider Carl Icahn.

Personal appeals, newspaper ads and other tactics were used by both sides to win the support of institutional investors, investment managers and key stockholders.

Mr. Icahn has said institutional investors' votes were "bought" by Texaco's management. Texaco's chief executives promised institutional shareholders they would be more involved with the company in the post-proxy season and they might be allowed to nominate directors to the board.

At Allied-Signal, the company mounted a successful campaign to defeat a proposal sponsored by the State of Wisconsin Investment Board, Madison, that challenged the company's poison pill. Wisconsin's proposal was not approved, but did generate significant stockholder support. More than a dozen anti-poison pill resolutions were sponsored by institutional investors this year and overall support rose despite strong corporate efforts to defeat the proposals.

Edward Hennessy Jr., chairman and chief executive officer, wrote to chief executives whose pension funds own Allied-Signal stock, money managers owning company stock and other institutional shareholders, soliciting support for management's position.

Copies of the letters were filed with the Securities and Exchange Commission as proxy solicitation material — the first time any chief executive has done so. The SEC gave tacit approval to the three letters, which were tailored for particular recipients.

Colman Mockler, Gillette's chairman and chief executive officer, also wrote to fellow chief executives whose pension funds owned Gillette stock. In the letter, Mr. Mockler said he was writing to alert them of strategic block investing, "a new phenomenon, which I believe is a potentially serious danger to virtually all publicly owned U.S. companies."

After making a strong argument against strategic block investing (which occurs when an investment group, individual, company or corporate raider takes a significant equity stake in another company) Mr. Mockler cited Gillette and Coniston and asked the chief executives for their support.

"Your company, through its pension and other benefit plans, may hold stock in a number of companies that could be attacked by strategic block market players," Mr. Mockler wrote. "If you agree that the so-called strategic block phenomenon is not in the best interests of publicly owned companies, their stockholders and their other corporate constituents, including their plan participants, please make your views known in an appropriate way with due regard for the fiduciary obligations that may be involved. The next sound and successful American company to be forced to an untimely sale or break-up could be your own."

Other than Messrs. Hennessy and Mockler, no other chief executives are believed to have written similar letters this year.

Like the Gillette letter, Mr. Hennessy's letter stayed clear of any hint of pressure.

"If you agree that poison pills may help directors to preserve and maximize a corporation's value for all shareholders, I urge you to speak with your investment management people and ask them to consider the views expressed in this letter before deciding how to vote on the anti-poison pill proposal," Mr. Hennessy wrote.

"I am advised that in doing so, without any attempt to interfere with the delegated decision-making authority of your managers, you will not contravene the Department of Labor's widely circulated statement on proxy voting by plan fiduciaries."

A spokesman for Allied-Signal said company executives had not discussed the letter with the Labor Department, which isn't required, and he is not sure how department officials viewed the letter.

Investment managers, meanwhile, are scrambling to assemble the proxy voting records requested by the Labor Department. The department has identified investment managers that held large blocks of stock in the target companies on behalf of plans covered by the Employee Retirement Income Security Act. They were given 14 days from receipt of the Labor Department letter to provide the information. Most received the letter in early June. ■

Hedged index

Continued from page 2

the impact on managers where hedging is not a normal part of their process," said Janice Harding, vice president of The Frank Russell Co., Tacoma, Wash.

While a manager who doesn't pay attention to currency theoretically should not mind if a client requests staying fully hedged, the manager might object if forced to sell securities to cover losses from the hedged position. Despite the risk reduction in hedging, "there's a practical consideration in hedging if the manager has to keep going to the sponsor to cover losses. No one likes to write out a check. It will make some sponsors very unhappy," Ms. Harding said.

Although currency gains are viewed as leveling over time, currency fluctuations produce short-term volatility that hedging substantially reduces.

The risk reduction more than offsets the higher correlation of hedged foreign assets with U.S. assets, barely affecting the gains, according to research by Salomon Brothers Inc. To accompany its new hedged foreign bond index, Salomon soon will launch a hedged version of the Salomon-Russell Global Indexes, hedging all 23 currencies in the index.

"At recent levels of exchange-rate volatility, hedging currency exposure greatly enhances the diversification potential of foreign investments . . . U.S. investors gain as much in risk reduction as they do by investing abroad, unhedged, in the first place," according to a study to be published in the Financial Analysts Journal by Andre F. Perold, associate professor of business administration of the Harvard Business School, and Evan C. Schulman, partner of Batterymarch: Canada and president of a new equity firm, MJT Advisors Inc., an affiliate of Mitchum, Jones and Templeton Inc., Los Angeles.

Transaction costs are low in the foreign exchange market, among the largest and most liquid markets. The cost of rolling over six-month forward contracts in major currencies is about 0.12% a year, according to the Perold/Schulman study.

Given its low cost and high benefits, some say hedging is underused. "Ironically, most global managers view currency risk as part of the risk of investing overseas," said Robert Arnott, president and chief investment officer of First Quadrant Corp., Morristown, N.J.

Without a strong belief that foreign currencies will rise against the dollar, "if you don't hedge currency risk, you're bearing a risk that provides no reward. That's inherently suboptimal," he said.

Mr. Arnott thinks by adopting a hedged benchmark, pension fund executives can encourage more hedging. "If the benchmark changes, you'll find the managers will, too."

But others don't think hedging into dollars should be a fund's normal strategy.

Jill Jordon, a partner with Matuschka Moser Partners, Greenwich, Conn., an international manager that offers active currency management and runs $700 million, said always being either fully hedged or unhedged is an overly naive solution to currency volatility.

Besides, "you can make lots of money in cross-trades (among non-dollar currencies) that you miss if you take a simplistic view," she said.

Most pension executives are not sold on the concept of being hedged as a neutral position, but many are examining their managers' hedging strategies. Some also might overlay currency management onto existing international portfolios, thereby treating currency as a separate asset class.

Susan Stannard, senior financial analyst of the $700 million Fluor Corp. pension fund, Irvine, Calif., which has $10 million in international equities, views currency and the underlying international equities as separate assets.

J.P. Morgan Investment Management Inc., London, the firm's international equity manager, generally doesn't hedge, and Ms. Stannard isn't taking steps toward a hedge policy yet because she doesn't see the dollar rising in the near future.

If the dollar rebounds, plan executives should look at their "break-even points," asking themselves "if international stocks have enough added value to justify bearing currency risk or even to justify a hedge back to the dollar," Ms. Stannard said. During the past three to four years, she noted, at least half of international stock gains have been from currency appreciation against the dollar.

The Common Fund encourages active currency bets, according to Mr. Tobey. "We're happy to have the underlying stock and bond exposure with an open currency position if (managers) feel the yen and pound will go up vs. the dollar. If they do not have an explicit decision, we'd like them to hedge back to dollars — but not necessarily fully" because there are dollar-linked currencies managers may hedge into as well, he said.

For international equities, the Common Fund uses the Morgan Stanley Capital International Europe Australia Far East index in local currency terms or the MSCI World index excluding the United States. The benchmarks are adjusted for hedging costs.

Some don't think fully hedged or sponsor-driven hedge policies will proliferate. Bobbie Parkhill, consulting manager at Ennis, Knupp & Associates, Chicago, said the firm's clients "typically don't make (the currency hedging) decision. . . . Yes, they're scared about the dollar, but I think that's why they have the manager. It's contrary to the idea of having managers if you tell them how to invest." ■

Australian tax

Continued from page 2

Analysts said the increase is due to the overall impact of the budget, which lowers corporate income tax to 39% from 49%, and to inflationary pressures that favor Australia's commodity-rich economy, as well as the pension fund shift into domestic stocks.

The cut in the corporate tax rate "translates directly to the bottom line," said Jonathan Shack, client adviser at MacIntosh Hamston, a brokerage unit of Hoare Govett Ltd., London. The effect was to lower the average price-earnings ratio to 10 from 12, he said.

Other changes in the corporate tax structure include a lower-than-expected gold tax, an average cut of 22% in import tariffs, tax exemptions on dividends received by Australian companies (except for 60 designated tax havens) and elimination of accelerated depreciation schedules. Cuts in personal income tax will not be introduced until next year.

The pension changes also have abetted the market's rise, as pension funds bought up domestic equities — particularly into selected banking and industrial stocks paying fully franked dividends — in the wake of the mini-budget.

The new taxes also are expected to affect financing of Australian corporations, which might be pressed to raise their dividends to perhaps 6% a year from a historic average of 4.5%.

Some think the move into stocks providing fully franked dividends will be short-lived, especially given the shortage of such stocks.

"There will be a short-term obsession with imputation — people will end up paying a dollar to get a 20-cent tax saving," said Bruce Thomas, senior investment manager at Hambros Australia, Sydney.

"Strategies will change over time. A higher content of imputation stocks will emerge, and the more franked dividends the better, but you must question the value of the franked dividend.

"Some of the quality second-liners might be attractive — the banks have a low dividend payout. I still believe we have to look for the best overall growth — the franked dividends are less important than the capital gain."

Keith Trevallion, investment manager of PNC International Financial Services, Sydney, said the tax on earnings should be kept in perspective.

"It will be kept in balance, but at the end of the day they will pay some tax," he said.

Jean Brunel, director and general manager of J.P. Morgan Investment Management Australia, Melbourne, said the sudden move into stocks was inappropriate. "It's a knee-jerk reaction," he said. "Structuring a portfolio so that it pays no tax will mean a lesser return at an enormous risk."

The consulting firm of TPF&C, Sydney, warned its clients not to alter their risk profiles for tax reasons alone. Instead, the risk-reward ratio now must be determined on an after-tax basis.

Frank Russell's Mr. Ueland said the lessons of October, when Australian equities lost 40% of their value, should not be lost, and funds should stick with their investment objectives and tolerable levels of risk.

The minibudget is expected to hurt smaller money management firms, which will be hit with higher costs, and firms that have shunned equities since October and have missed the ride up the market. In addition, brokerage firms are expected to see lower trading value and increased demand for sophisticated services.

Benefiting from the changes are managers such as Melbourne-based ANZ Capital Markets Corp., which maintained the same equity weighting it had in October.

Also being helped are index fund managers, as pension funds seek to minimize turnover and thus taxes on realized capital gains.

"Index funds have something to gain," said Nick Basile, investment manager of MLC Asset Management Division, Sydney.

"Fully replicated index funds will do well. On the other hand, synthetic index funds, made up of futures which have no dividends, are a thing of the past as far as superannuation funds go." ■

This story was compiled by the Australian Super Review, a monthly publication, and Foreign Editor Joel Chernoff.

Passive funds

Continued from page 1

since 1980.

Polaroid's strategy has changed recently on the fixed-income side. Earlier this year, it made its first move into fixed-income indexing, said Philip E. Ruddick, director-treasury operations. "We've been successful with indexing on equities, and we wonder if there is logic we can apply to fixed income."

Polaroid committed only $10 million to fixed-income indexing, leaving under active management the bulk of its fixed income, currently about half of the fund.

"We don't believe the entire fixed income should be indexed," he said. "On fixed income, we believe there is opportunity to get additional return without taking additional risk."

In equities, Polaroid plans to remained indexed, he added, a testimony to its pension committee's belief in the efficiency of the stock market and the expense of active equity management.

Mr. Ruddick said the strategy also underscores the importance Polaroid's pension committee places on asset allocation. Less time spent on manager searches and performance monitoring means more time to devote to asset allocation.

The entire fund, including equities and fixed income, returned 8.4% last year, he said. By contrast, the median return in a pension fund universe tracked by SEI Corp., Wayne, Pa., was 3.9%.

He attributes the result to reduction in equities before the October crash. He said the fund had gradually cut its equity allocation to 35% in September from a percentage in the 50s in January.

Since then, its equity mix has increased to 38% because of rising stock prices rather than an active allocation decision, he added.

"Basically over the long haul we believe you can't beat the (stock) market," Mr. Ruddick said. As a result, "we adopted a policy we call 'no leakage.' We don't want to pay a lot of management fees and commissions."

Eagle-Picher might be the only fund with more than $100 million in assets that is completely passive.

At a recent conference, Harry A. Neely, Eagle-Picher treasurer, termed the approach "a fairly different, almost perverted approach because it is almost entirely passive."

Its fund is evenly split between equities and fixed income. In contrast to Polaroid, Mr. Neely said the fund has kept the 50-50 split since the indexing began, rebalancing every quarter.

Mr. Neely estimates his fund saves 125 to 150 basis points annually in active management fees and commissions.

According to other pension industry executives, active equity management fees often range between 50 and 100 basis points annually; stock index funds typically charge less than 25 basis points. Index trading costs also are less because of lower turnover, lower commissions and little or no market execution impact on price.

In its move to index fixed-income assets, Polaroid hired Wells Fargo Investment Advisors, San Francisco, to run about $10 million in a Shearson Lehman Hutton Government/Corporate bond index fund, Mr. Ruddick said.

The bulk of its fixed income continues to be run actively by Merganser Capital Management Corp., also of Cambridge. Merganser, Polaroid's former in-house fixed-income investment management unit, had been the fund's sole fixed-income manager.

Polaroid's equities are divided about evenly among three passive managers, he said. Wells Fargo and Mellon Capital Management Corp., also of San Francisco, each runs Standard & Poor's 500 stock index funds; American National Bank & Trust Co. of Chicago runs an index fund of non-S&P 500 small stocks.

Mr. Ruddick said Polaroid was one of the early pension sponsors to use indexing, first in 1980 with Wells Fargo for the bulk of its equity allocation. During the next two years, the fund gradually moved the rest of its equities to indexing.

Eagle-Picher has 60% of its equities in-house, run in an equal-weighted Standard & Poor's 500 index fund. Unlike the traditional market capitalization-weighted index, the equal-weighted structure allows price moves by smaller stocks to influence the index as much as those by larger stocks.

"At the time, there was a feeling secondary stocks would do better," said Joshua E. Adams, Eagle-Picher assistant treasurer. He noted that historically, smaller stocks have performed better over the long term.

The equal-weighted approach also imposes a disciplined buy and sell process on the portfolio.

Mr. Neely said the equal-weighted portfolio has about kept up with the traditional S&P 500 index, although returns were unavailable.

The other 40% of its equities are with American National Bank in two index funds that emphasize smaller stocks.

The Cincinnati office of Scudder Stevens & Clark runs the fund's fixed income in a passively managed portfolio of laddered maturities. According to Mr. Neely, the portfolio consists of securities with maturities in each of the years from one to 10, with 10% of the fixed-income assets allocated to each maturity.

The idea is "so we average interest rates over time," Mr. Adams said. The portfolio is mainly composed of Treasury securities.

Mr. Neely said the cumulative return for the fund since the passive strategy began places it between the 25th and 35th percentile of Trust Universe Comparison Service pension fund universe. The return was unavailable.

From 1981 through 1987, the fund returned 13.9% compound-annualized.

Turner had $54.8 million of its assets in S&P 500 index funds March 31, all run by Wells Fargo, according to Lars Lofas, assistant to the senior vice president.

Its S&P index funds include $37.3 million in a static allocation. The other $17.5 million in S&P index funds comes from a $43.8 million asset allocation fund, also run by Wells Fargo. The manager allocates the $43.8 million in indexed equities, indexed fixed income and cash, as it perceives the market changing.

Mr. Lofas said Turner had 70% of its total fund allocated to equities through much of the bull market. Then about 18 months ago, the equity commitment was reduced to 65%. At the beginning of the year, Turner adjusted its asset allocation again, shifting 40% of its total fund to Wells Fargo's asset allocation fund, he added.

In absolute terms, equity indexing paid well in the 1980s.

According to Wilshire Associates, Santa Monica, Calif., the median active equity portfolio for the seven years ended Dec. 31 returned a compound annual 14.29%.

In the same period, the S&P 500 returned a compound annual 13.8% and a index of small stocks, 12.6%, according to Ibbotson Associates Inc., Chicago. ■

Favia Hill shut

Continued from page 3

Favia, Hill was spun off in October 1983 with $9 billion under management, part of a trend of banks creating independent units. The idea was to instill them with entrepreneurial vigor, enabling them to attract and retain key personnel and regain market share.

But that didn't seem to happen.

"The bank had a lot of average, working-class managers," said one New York money manager. "Chemical decided all they had to do was repackage" its efforts, he added.

Those in charge didn't understand the investment management business, said a former employee. Spinning off the unit reflected "me-tooism" that was common within the industry, he added.

The naming of the firm after its two principals — in the hope of making it sound like an independent firm — also was viewed as a mistake by some. Less than two years after the unit was formed, Robert Hill left to join Pleasantville A&T Corp., New York, a private firm managing family endowment money. Jack Favia retired in April.

Meanwhile, the firm's equity performance sagged under its growth orientation that played on themes. While insiders said performance was weak before the spinoff, the market of the past five years has been tough on growth managers as a whole.

For the five-year period through 1987, Favia, Hill's composite account returned a compound annual rate of return of 13.3%, underperforming the 16.5% return for the Standard & Poor's 500 index, but exceeding the 12.6% return for the Lipper growth manager index.

Those numbers probably overstate Favia's overall performance, because the composite consists only of accounts managed by Mr. Rolland and other large accounts. Also, one of Favia's problems, Mr. Madden said, was dispersion of results among some of its portfolio managers, some of whose returns are not included in the composite.

In three years, the firm lost 50 tax-exempt clients, slipping to 117 on Jan. 1, 1987 from 167 Jan. 1, 1984. During that same period, tax-exempt assets under management dropped to $5.3 billion from $8.7 billion.

Among equity and balanced accounts reduced or lost during that period were Burroughs Corp. (now part of Unisys Corp.), the Los Angeles Fire & Police Pension System and the National Automatic Sprinkler Industry.

All was not well on the bond side, either. While performance was better, the firm lost more than $4 billion in assets from two New York City public funds, in part because of performance. Sources said Favia, Hill did well relative to other bond managers, but had made an interest-rate bet that went in the opposite direction of its normalized benchmark.

In late 1986, Managing Director Kenneth L. Dowd Jr. was brought in from the bank's trust and investment division to oversee development of Chemical's institutional investment management services.

Among other things, Mr. Dowd hired Mr. Madden in April 1987 to head marketing efforts for all of Chemical's money management units. Previously executive vice president at Fidelity Management Trust Co., Boston, and senior vice president of Chase Manhattan Bank, New York, Mr. Madden is known as an outstanding marketer.

Sources said too much weight was given to marketing and portfolio managers lost their voice in the firm's direction.

"Here, a lot of people wanted to run the business," Mr. Madden said. "But that's not what they're paid for. Their responsibility — with very little time to do it — is managing the portfolio."

By last fall, Chemical decided to focus Favia, Hill's attention on larger accounts, increasing client visits and raising fee schedules. In the process, the firm resigned up to 50 client relationships, representing up to 100 accounts but only $290 million in assets.

The increased fees also resulted in the loss of some clients, Mr. Madden said.

When Mr. Favia retired, efforts were made to replace him but no candidate was offered the job, Mr. Madden said. Another key equity portfolio manager, Terence Carmichael, also decided to leave, Mr. Madden noted.

Chemical officials, with the input of consultants and others, eventually decided to close the firm's doors.

Now, Chemical Investment Group will focus on building the rest of its business. "At this point, the name of the game is not to be the biggest, but to be a quality organization," Mr. Madden said.

The *P&I Age* monthly indexes track the changes in the Standard & Poor's 500, Frank Russell Co.'s Russell 3000 stock index, the Ryan Index of fixed-income securities, the Shearson Lehman Government/Corporate bond index and the Salomon Brothers Broad Investment Grade bond index.

P&I Age May indexes

	Latest mo.	Year to-date	Trailing 12 mos.
S&P 500	0.61	7.64	−6.63
Russell 3000	0.40	9.42	−6.27
Ryan Index	−0.95	1.63	5.37
Shearson Lehman Gov't./Corp.	−0.67	2.29	6.41
Salomon BIG	−0.38	2.76	7.11

Source: Rogers, Casey and Barksdale Inc., and Frank Russell

New waters

Continued from page 3

ment manager will plunge into eagerly, but one she hopes will have better fortune than the last of her 13 skydiving jumps, which resulted in a broken ankle, still on the mend.

The ankle, however, doesn't figure to slow her down. "If I start on July 1, I can be managing money by Aug. 1," she said.

As the firm grows, it will seek to offer top job opportunities to women and minorities, two groups she believes have not reaped a fair share of the fruits of the investment industry.

Ms. Marshall hopes to distinguish the firm in other ways, too: "I always said I never wanted to start another 'me-too' investment firm."

She plans to use investment systems she has developed through her stints as investment manager at the California fund; president of BayBank Trust Services, Boston; and director of investments at Deere & Co., Moline, Ill.

"I believe I can offer a superior investment system," she said. "The key will be a systematic discipline screen and valuation of securities," she said, including segmentation of the equities and bond markets into value, growth and large and small capitalizations.

Ms. Marshall said her firm will focus on reducing execution costs by making trading as efficient as possible, using a trading system designed to get the lowest possible transaction costs and through lower-than-normal management fees.

The trading system will use an "urgency code" to determine the best time to buy and sell particular stocks and bonds, she said. "It will be very attractive to the buyer and the seller who doesn't have to act immediately," she said.

At first, the system will be used to make the firm attractive to larger clients. "Once the systems are in place, the challenge will be to market to the smaller companies," she said. "That's the big underserved market."

Once Ms. Marshall's decision not to renew her contract with California became known, she received, and declined, job offers from across the country. "I want to try to piece this together," she said. "That was my first option. I like challenges."

Her years at California were marked by the fund's increased computerization, heavier use of international investments and involvement in corporate governance issues.

"I'm proudest of having put in a series of systems that will continue to operate after I'm gone," she said.

Her activist approach to shareholder involvement in corporate governance stood out during the fund's involvement with Texaco Inc. in its legal battle with Pennzoil Co., Texaco's subsequent bankruptcy proceedings and then its fight with corporate raider Carl Icahn.

"Texaco was one of the most disheartening experiences I had," she said.

Although the California employees' fund voted its 763,000 shares for management in Texaco's successful efforts against Mr. Icahn, Ms. Marshall called it "a choice between the lesser of two evils."

"I was appalled," she said. "Shareholders were badly served by everyone involved."

Despite her move to the other side of the desk, Ms. Marshall remains outspoken on a number of issues.

She opposes poison pills, supermajority rules, mergermania — "the majority (of mergers) do not create any real value" — and social restrictions on investment portfolios, such as the South Africa-free requirements soon to be imposed on the California fund through state law.

"I resent the fact that pension funds are supposed to be the major tool of social policy," she said. "It is far more damaging to lose sales than to lose shareholders. Shareholders will always be replaced."

She also is an outspoken supporter of program trading, which has been strongly criticized by some for contributing to the severity of October's market crash — a time when Ms. Marshall and the California fund quickly snatched up $40 million in stocks.

"The market crash was a reflection of a more efficient market," she said. "You want real values reflected as quickly as possible. Computerized trading is a good idea. Those who oppose it are the equivalents of the Luddites that broke the machinery."

(The Luddites were a group of English laborers who opposed the imposition of labor-saving — and hence, job- and wage-reducing — machinery in textile mills.)

The move back to private industry — not to mention a different function — will pose other challenges for Ms. Marshall.

"In the public sector, people get ahead by being different, standing out," she said. "In the private sector, people get ahead by being part of a team."

Although she hopes to distinguish her new firm, she recognizes her high profile in the California job will not guarantee success.

"This will not be a Lone Ranger operation," she said.

But with the computer age, it will be a long-distance operation. Ms. Marshall said she sees no reason her partners all need to be in the same office.

"In my opinion they should stay where they are. It almost doesn't matter where the firms are located," she said. "In a global economy, what's critical is the product you offer."

So while she hopes to have offices in Boston ("where the best systems and operations people are"), New York ("the financial center") and San Francisco (close to home), Ms. Marshall thinks the small firm will manage with her in contact with all points.

"I'll probably be up in an airplane," she said, laughing.

And, no doubt, hoping her jump into the money management field doesn't land her on that bad ankle. ■

Index growth

Continued from page 3

and international indexed accounts.

"Plans are still taking their money out just because they feel they have too large an exposure in equities because of the increased valuations," he said. "We see asset allocation decisions instead of anti-indexing. Foreign (investment) is attractive because it is a young business, a lot of room for growth."

In general, money managers said pension executives are interested in international indexing as well as "enhanced," "tilted" and "customized" funds for both fixed-income and equity assets.

"We see a continued and probably growing interest in fixed-income products for several reasons," said Edward Swan, manager of the asset management group at WR Lazard & Co., New York. "We're beginning to see a lot of increased interest from institutional investors after they've looked at returns where active fixed-income managers have underperformed the market. Plan sponsors are seeing that specialized bond indexes can be developed to capture specific types of characteristics with less volatility and a high certainty of return.

"You combine that with the realization you can create a specific universe, and it's a very cost effective way to manage money."

"Increasingly, plan sponsors are interested in branching out beyond stereotypical index product," added Kirk Barnaby, vice president for Mitchell Hutchins Institutional Investors Inc., New York.

Brian Mattes, vice president for the Vanguard Group, Valley Forge, Pa., pointed out that, according to INDATA, Stamford, Conn., almost two-thirds of active managers underperformed the S&P in 1987. "You'd have to go back to 1982 for where the majority of equity managers outperformed the S&P," he said.

Mary Ellen Stanek, vice president for First Wisconsin Trust Co., Milwaukee, sees the growth in all forms of indexing as a natural progression.

"I think it's an evolution," said Ms. Stanek. "People who like the strategy are saying if active managers aren't beating the market, perhaps it's a better mousetrap. The wave of sponsors moving to enhanced vehicles isn't going to slow down."

One happy voice was that of Jon Victor, president of Security Capital Management Inc., Stamford, Conn., as his domestic fixed-income index funds grew $374 million — or 92% — since Jan. 1.

Mr. Victor said market uncertainties have limited new clients in the indexed portfolios offered by Security Capital: "I think the markets are continuing to be volatile. The bulk of the asset growth has been in contributions (from existing accounts)."

Mr. Hurley, of Investment Index Technologies, said he sees movement in the domestic equity side toward broader based indexes, such as the Wilshire 5000 and the Russell 2000, "simply because the small-cap stocks have been so robust," he said. "As soon as you get outside the S&P, you're moving to smaller cap firms."

Small-cap issues returned a 13.37% in the first quarter, according to the NASDAQ industrial index of over-the-counter stocks, while at the same time, the S&P 500 returned 5.7%.

Small-cap manager Dimensional Fund Advisors, Santa Monica, Calif., reported a 64% increase in indexed tax-exempt assets managed to $5 billion from $3.1 billion Nov. 30. David Booth, chairman, said the firm creates small-cap indexes to serve as benchmarks for its indexed funds. ■

Reprints of articles appearing in past editions of *Pensions & Investment Age* are available.
For information, contact:

Ulla Rodriguez
P&I Age
220 E. 42nd St.,
New York, N.Y. 10017;
(212) 210-0124

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InvestmentAge

Global assets will surge

By Marlene Givant

U.S. pension funds are expected to invest $1.3 trillion in international markets by the year 2000, 14 times the amount they have invested today, while their allocation to international investments should jump to at least 20% of assets from about 3% currently.

The growth should come both from large funds preparing to make their second wave of overseas investments and from public and smaller corporate funds with few, if any, current foreign investments.

(The percentage estimate was derived from interviews with pension executives and applied to a projection of $6.3 trillion in total pension assets from Rodger Smith, a partner at Greenwich Associates, Greenwich, Conn. Pension funds now have more than $2 trillion in total assets, of which $60 billion is invested abroad.)

In interviews, most pension executives agreed their international exposure will increase — probably to about 25% of total assets — but they differ on how that will happen.

Some say domestic investments will be globalized; others say their peers will make conscious decisions to raise their allocations to non-U.S. investments.

Said Keith E. Tucker, vice president of E.I. du Pont de Nemours & Co., Wilmington, Del., which has 10% of its $12 billion in pension assets invested abroad: "Foreign markets are much larger today as a percentage of the total market than they were 10 or even five years ago. We can no longer ignore that, and if we do, it's at our own peril."

The impact an increase in international investing would have on the U.S. capital markets, however, is not clear; the offsetting effect of foreign inflows is difficult to call.

"If you try to forecast (the net effect on) U.S. securities markets in a systematic fashion, you can't. . . . It leads to very misleading forecasts," said Peter L. Bernstein, president of Peter L. Bernstein Inc., New York, an economic consulting firm.

But the benefits of being diversified are reinforced by the fact that foreign markets recovered more quickly than the U.S. market from October's stock market crash and by the continuing globalization of financial markets.

However it happens, the spurt of growth has begun. For example, the internally managed $27 billion Teachers Insurance and Annuity Association-College Retirement Equities Fund, New York, is raising international exposure to 15% from 10%; Bell Atlantic Corp., Philadelphia, with $11.5 billion in pension assets, is believed to be approaching a long-term international target of 25%; and the $420 million fund of McGraw-Hill Inc., New York, soon might increase its foreign investments slightly from the 7% it now has in global equities.

Sherri Williamson, pension investment administrator of McGraw-Hill, said large funds will have to look overseas for good values because as institutions make up a bigger part of the U.S. equity market, there might not be enough attractive domestic stocks.

Another reason to diversify is the increasing size of

Continued on page 53

Utility controls its contribution by asset shifts

By Curtis Vosti

HAMMOND, Ind. — Quick action on an asset/liability study last year allowed Northern Indiana Public Service Co. not only to lock in its gains from the bull market, but also to have a more stable level of contributions.

In part as a reaction to the balance sheet requirements of the Financial Accounting Standards Board's Statement 87, the study, done by the Chicago office of Goldman, Sachs & Co. Inc., prompted the Hammond-based utility a year ago to shift $114 million of its $300 million in assets to a bond portfolio with a duration of 12 years.

A recent follow-up study shows the company's shift from stocks has "locked in" equity gains from the five-year bull market; the new bond portfolio more than covers the duration of its liabilities; and contributions to the plan are relatively more stable at a slightly lower level than they would have been without the shift to fixed investments, according to Francis Girot, NIPSCO's manager of finance.

"The (Goldman) study showed that there would be volatility without the switch to bonds," Mr. Girot said. Though he declined to give details, Mr. Girot said "There was very substantial savings depending on what happened in the market.

"The approach we have now will reduce a lot of the volatility (in contributions) we faced with FASB," he said.

The imposition of pension liability balance sheet requirements by FASB 87 and the new limitation on deductions for overfunded plans have spurred many funds to do asset/liability studies.

Four years ago, Mr. Girot said, NIPSCO had a "substantially underfunded" plan, with only 60% of the assets needed to cover liabilities. At that time, the utility switched to a

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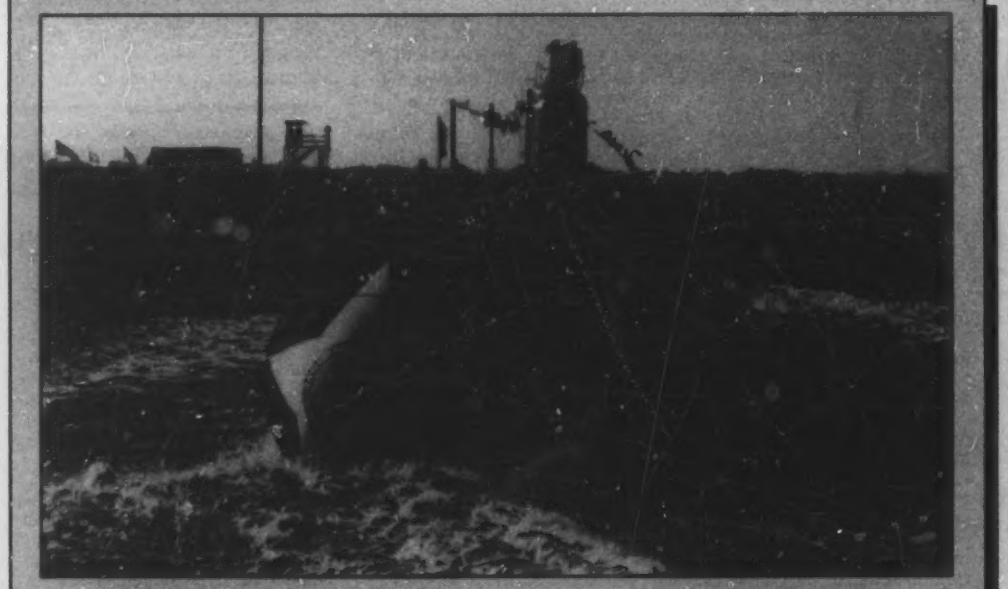

General Dynamics Corp., which manufactures an array of military and commercial products, has trimmed the number of its plan's outside managers to 16 from 30 during the past few years.

Trimming the team

Large funds cutting manager rosters

By Nicky Robertshaw and Fred Williams

Some large pension funds, overloaded with money managers hired through the years, are beginning to cull their manager rosters.

The reductions are being achieved quietly and gradually, by allocating additional assets to existing managers, to index funds or to in-house management when money managers are dismissed.

In at least five companies, a total of 40 managers have been dropped since the mid-1980s.

Consultants, more than money managers and pension executives, believe the time for consolidation has come.

"The pendulum may have swung a little too far in terms of diversification, so that it's hard to make a case for replacing those managers," said Roger C. Bransford, national director-asset planning for TPF&C, Atlanta.

"This may be the front edge of a total examination by plan sponsors."

R.E. Shultz, vice president-pension asset management at RJR Nabisco Inc., Atlanta, said pension executives might be overdi-

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LATE NEWS

GAO report confirms findings

WASHINGTON — A General Accounting Office study confirms earlier research that most private pension plans had net increases at the end of 1987 despite the Oct. 19 crash.

In a study of 174 pension plans sponsored by 92 companies and unions to be released this week, 158 of them had declines during the fourth quarter. Of that group, all but four ended the year with more assets. It also found defined contribution plans tended to have more big winners and losers, since the values of these plan assets were tied more closely to the values of one particular stock.

The study will be the subject of hearings before the House Ways and Means subcommittee on oversight this week.

1-share, 1-vote rule wins kudos

WASHINGTON — Shareholder rights groups praised the one-share, one-vote rule passed Thursday by the Securities and Exchange Commission, but were critical of a grandfather clause for companies with unequal voting shares already in place.

"I think it's excellent, and it's in line with what the Council of Institutional Investors wanted," said Roland M. Machold, chairman of the executive committee of the council and director of the New Jersey Division of Investment, Trenton. With the grandfathering up to July 7, however, "there were quite a few horses that got out of the barn," he said.

Under the rule, a company that recapitalizes in such a way as to reduce the voting rights of holders of common stock cannot list its stock on the exchanges or NASDAQ.

Keystone proposes settlement

DALLAS — Keystone Consolidated Industries Inc. has offered a $5.2 million settlement in a suit brought by pension plan participants in its National Lock division in Rockford, Ill.

The participants contended, and a federal judge agreed, Keystone executives breached their fiduciary duty under the Employee Retirement Income Security Act by investing the Keystone pension fund's assets in stock of Amalgamated Sugar Co., Ogden, Utah, in 1982 (*Pensions & Investment Age*, Aug. 19, 1985).

Even though the fund later sold the stock at a profit, the transactions were not made solely in the interest of participants and beneficiaries, the judge ruled; investor Harold Simmons, who controls Keystone, was seeking to block a merger between Amalgamated and another company so that one of his companies could acquire Amalgamated.

Keystone's settlement offer consists of $3.9 million to be paid to the pension trust in 39 monthly installments of $100,000 and $1.3 million to be paid in 13 monthly installments of $100,000 to reimburse the plaintiffs for legal fees and other expenses, said Ralph End, Keystone's corporation counsel.

Officials at the Washington law firm of Feder & Associates, which represented the plaintiffs, declined comment.

Funds add investment managers

• JUNEAU, Alaska — The $9.6 billion Alaska Permanent Fund decided Friday to add four domestic equity managers.

IDS Equity Advisors, Minneapolis; Loomis, Sayles & Co. Inc., Pasadena, Calif.; Miller, Anderson & Sherrerd, Bala Cynwyd, Pa.; and United Capital Management, Denver, will join the fund's three current domestic stock managers.

The seven firms will get about equal portions of the $900 million the Alaska fund has in common stocks, but no decision as to the exact allocations has been made, according to James R. Wilson, chief investment manager.

• HOUSTON — The $460 million Houston Municipal Employees Retirement Fund has hired JMC Capital Management, Metairie, La., to run a $15 million equity portfolio.

The system also placed $5 million with existing manager Equitec Institutional Realty Advisers Inc., Oakland, Calif., according to Cliff Tuttle, executive director.

Mr. Tuttle said the system terminated Texas Commerce Investment Management Co., Houston, and Loomis, Sayles & Co. Inc., Boston, which had managed portfolios of about $23 million each. Allocation of the remaining $26 million will be determined during the next several weeks, he said.

DEPARTMENTS

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Real estate survey out

Questionnaires for *Pensions & Investment Age*'s annual directory of real estate investment managers have been mailed out.

For your firm to be included in the Sept. 19 directory, please return the questionnaire by July 27 to Christine Philip, directory coordinator, *Pensions & Investment Age*, 740 N. Rush St., Chicago, Ill. 60611-2590.

If you have any questions or have not received a questionnaire, please contact Ms. Philip at (312) 649-5217.

DOL probes investments of manager

By Joel Chernoff

NEW YORK — The Department of Labor is investigating investment activities by money manager Joseph H. Reich and the Reich & Tang L.P. pension and profit-sharing plans, *Pensions & Investment Age* has learned.

The investigation is believed to center on stocks of at least two small companies in which the company's retirement plans co-invested with Mr. Reich, his family members and business associates at the same time Mr. Reich served as trustee of the retirement plans. In one case, assets from a Reich & Tang-run limited partnership and accounts managed by Reich & Tang L.P. also were invested.

Reich & Tang is a New York-based money manager that runs $1.3 billion in tax-exempt money and $5.7 billion in mutual funds and a jumbo certificate of deposit product. Mr. Reich is chairman of the firm, although he has taken a less active role recently.

One Labor Department investigation involves a fight for control of Bomarko Inc., a Plymouth, Ind.-based packager, in which Mr. Reich successfully blocked a tender offer. The second involves investments in PCA International Inc., a Matthews, N.C.-based portrait photography studio chain rebounding from the brink of bankruptcy, where Mr. Reich gained a seat on PCA's board and a key role in the company's restructuring because of his group's stock ownership.

Although he stepped down as retirement plan trustee Jan. 4, according to PCA's 1988 proxy statement, Mr. Reich's actions as both investor and trustee could raise a number of legal questions under the Employee Retirement Income Security Act:

- Were the plans' investments used to bolster his position as a shareholder?
- Was he able to act solely in the interests of plan participants and beneficiaries?
- Were there any violations of ERISA's prohibitions on dealings between a plan and a related party?

Reich & Tang appears to have had some concerns about the independence of the transactions. After articles appeared in *P&I Age* in 1985 detailing the investments, Reich & Tang's board transferred to a named fiduciary the right to vote and sell shares owned by the retirement plans in the two companies.

As is their policy, Labor Department officials declined to confirm or deny that any investigation is under way. It is believed, however, officials are in the early stages of their investigation.

Mr. Reich and co-founder Oscar

Continued on page 55

Funds' focus is global hirings

By Trudy Ring

International diversification was a priority for tax-exempt investors during the second quarter, with nearly $1.2 billion in international hirings reported, $1.1 billion for international equities alone.

With that figure, international equities outpaced all other alternative asset classes and all traditional ones except domestic equities, where there were $1.7 billion in hirings reported.

The figures are based solely on manager hirings reported in *Pensions & Investment Age* during the quarter; there might have been other hirings not publicized. (A complete listing of reported hirings begins on page 43.)

Passive management appears to be coming on strong in the international area; of the total in international equities, at least $215 million — almost 20% — was indexed. Domestic equity indexing was less popular, with only $150 million in new

Continued on page 46

Medium-term notes:

Volume grows, but questions remain

By Brad Rudin

Despite almost a 20% increase in the volume of medium-term notes and a substantial increase in market acceptance, some investment managers still are concerned about liquidity, pricing and yield.

Some also question the value of a point touted by dealers: The product can be used to match assets and liabilities because the issuer has the flexibility to structure a security that meets the investor's maturity and size requirements.

Despite these doubts, medium-term notes win praise from investors as a substitute for conventional corporate paper, especially at the short end of the yield curve. "There is no other real supply of short-term corporates we can buy in good size," said Christopher Harms, a fixed-income portfolio manager at Bear Stearns Asset Management, New York.

(Although many corporations issue commercial paper, the maturities on those issues only go up to 270 days.)

Institutional investors, meanwhile, are buying more medium-term notes than ever before.

The medium-term note market grew to about $49 billion during 1987, compared with $41 billion during 1986, according to data compiled by Salomon Brothers Inc., New York. Based on annualized figures for the first quarter of 1988, the market is expected to reach about $93 billion this year.

Internally managed pension funds — government and corporate — accounted for 6.6% of the $11.5 billion in primary sales made by Merrill Lynch & Co. in 1987 compared with 3.5% of $11.2 billion in 1986, according to Alfred A. Kuskowski, senior vice president for marketing at Merrill Lynch Money Markets Inc., New York.

Merrill, the biggest player in the medium-term note market, could not break out how much it sold to investment management firms for pension accounts.

Figures supplied by Shearson Lehman Hutton Inc. show investment advisers and internally managed corporate pension funds accounted for 18.4% of the firm's

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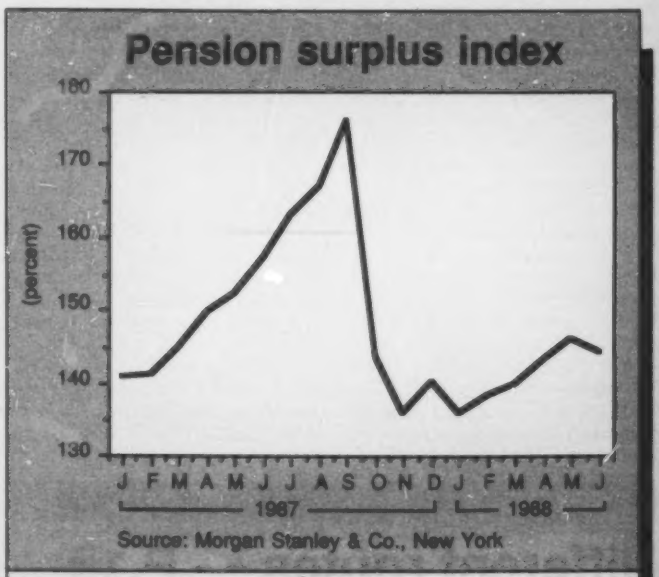
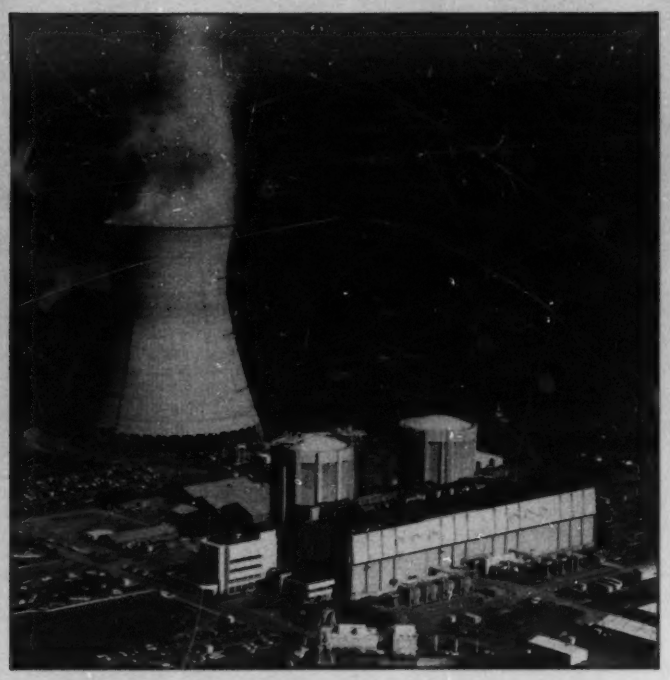


With this issue, *Pensions & Investment Age* begins publishing the Morgan Stanley Pension Surplus Index. Index values represent the ratio of assets to liabilities expressed as a percentage. The index will be published monthly.



The decommissioning of nuclear power plants, financed through external trust funds set up by utility companies, is expected to be a multibillion-dollar boon to the money management industry.

Nuke trusts may be trove of $50 billion

By Trudy Ring

The Nuclear Regulatory Commission's new rule effectively requiring utilities to establish their nuclear decommissioning trusts with independent trustees and money managers could generate more than $50 billion in new business for the money management industry.

Prior to the NRC issuing its regulation last month, most utilities could collect money for decommissioning from ratepayers, keeping an account showing what has been collected, but not setting up a separate fund. The money generally was invested in utility operations.

With the external funding, the trust funds, like pension funds, receive contributions from the sponsoring utility.

There are two types of trusts, qualified and non-qualified. Contributions to a qualified trust are tax-deductible when made, like contributions to a pension fund, but may be invested only in certain fixed-income securities approved by the Internal Revenue Service. In a non-qualified trust, costs are not tax-deductible until the time decommissioning begins.

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Timers reverse cash positions

By Trudy Ring

Many of the market timers and tactical asset allocators that made big moves to cash earlier this year moved back into the stock and bond markets in June, redeploying slightly more than $1.9 billion.

In many cases, the managers moved all or nearly all of their assets under management. Lack of liquidity in the markets, the falling dollar, rising interest rates and deteriorating stock and bond prices were reasons given by various managers for moves out of the markets (*Pensions & Investment Age*, May 30); reversals in these trends accounted for the moves back in.

Among the larger moves:

• Wilmington Trust Co., Wilmington, Del., moved its $750 million in quantitatively managed bond portfolios to a fully invested position from cash toward the end of June. The trust company had moved these accounts into cash in mid-March. In its $500 million equity portfolios, Wilmington Trust retains the 10% to 12% cash position it has had since the fourth quarter of 1987.

• Consistent Asset Management Co., Wilmington, Del., switched its $300 million under management to bonds from cash the last week in June. In March, the firm, which then had $250 million under management, had gone 100% into cash from bonds.

• Davis, Weaver & Mendel Inc., Atlanta, moved its $190 million in equity accounts to full investment by June 3, after having had 60% of that amount in cash at the end of May. It also moved its $50 million in fixed-income portfolios to 100% long bonds from 100% cash in June.

• Schield Management Co. Timing Service, Denver, moved its $133 million in equity accounts to a fully invested stance as of June 22. The firm had gotten out of the equity markets May 19. In June, it also reversed position on its $2 million in bond accounts, to full investment from cash.

• Avatar Associates, New York, raised its equity allocation to between 75% and 80% from 55%. It moved to the 55% level from 100% equities during March and April. Avatar has $1.5 billion under management, shifting between stocks and cash.

• R. Meeder & Associates Inc., Dublin, Ohio, moved its $350 million in equity accounts to an 85% invested position from a 50-50 stock-cash split it had maintained since the beginning of the year. The firm also moved its $50 million in bond accounts to full investment from almost all cash, after having gone into cash two months ago.

• Lesesne & Co., Atlanta, moved its $60 million under management to 100% equities after having gone into cash in April.

• R.M. Leary & Co. Inc., Denver, moved its $20 million under management into equity mutual funds from money market funds June 1 through 9. The firm had switched to the money market funds in late April and early May.

In a smaller move, Dana Investment Advisors, Brookfield, Wis., increased the firm's $30 million in equity portfolios to a 38% invested stance from only 5%. Dana had been out of the market longer than the others, too; it had a 95% cash position in the equity portfolios since January.

Also, Matrix Capital Management, Greenwich, Conn., moved its market-timing accounts to their normal equity exposure in the past month, after having been somewhat underweighted in equities previously. The normal exposure varies for each account, said Michael A. Petrino, president; he did not have a dollar figure for the amount moved back to the market. Matrix has $200 million in market-timing accounts.

Officials at Wilmington Trust and Consistent said they were encouraged by upward trends in the prices of U.S. Treasury securities. Daryl L. Hudson, chairman of Consistent, also mentioned the rising dollar as a reason for becoming fully invested.

"The momentum of stock prices" (of stock prices) "is now the highest it's been in three years."

Marshall Schield
Schield Management

The momentum of stock prices also is encouraging, said Marshall Schield, president of Schield Management. The firm follows 4,000 stocks, looking at their current prices relative to their 15-week moving average. "The momentum is now the highest it's been in three years," Mr. Schield said.

"The bottom line is the trend and momentum have moved up,"

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Outlook bright

Economists doubt '88 slump

By Curtis Vosti

The majority of economists surveyed by *Pensions & Investment Age* agree there is little chance of a recession by the end of 1988.

Surprised by the resilience of the economy in the first half, the economists believe the economy will moderate a bit during the remainder of the 1988.

The October market crash was still very much on their minds when they made their initial projections in December.

At year-end 1987, three of 16 economists predicted a first-half real growth in the gross national product at or above the 3.3% figure now estimated by many economists. The U.S. Department of Commerce has reported the first-quarter GNP grew by 3.6%; first-half figures are due July 27.

David Levine, chief economist for Sanford C. Bernstein & Co., New York, was one who didn't think the October crash would affect the economy's growth.

Mr. Levine had predicted a whopping 6.7% GNP growth during 1988's first half.

Most consumers don't own stock, he said, and therefore didn't lose money in the crash. Those that did weren't apt to cancel purchases that would affect the GNP.

"If you don't buy that extra Persian rug, it doesn't affect the GNP," Mr. Levine said. "If you don't buy an existing second house, it doesn't affect the GNP. If you decide not to buy a diamond, you affect the South African GNP, not the American GNP," he said.

Nonetheless, Mr. Levine said consumer spending fell short of what he expected, leading to a first-half growth rate about half of what he predicted.

In December, he predicted a 4.3% growth rate for the second half of 1988.

Mr Levine has revised that prediction to 4%.

Recession

In December, Robert Dederick,

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What the experts predict

	GNP 2nd half	Inflation 2nd half	90-day T-bills Dec. 31	30-year Treasuries Dec. 31	Federal deficit Sept. 30 ($ billions)	Trade deficit Dec. 31 ($ billions)
David Bostian Bostian Research	3.0%	3.0%	6.0%	7.9%	140	100
Robert Chandross Lloyds Bank N.Y.	2.4	4.8	7.0	9.8	155	143
Robert Dederick Northern Trust	2.8	4.6	7.0	9.7	155	135
Lacy Hunt Carroll, McEntee & McGinley	3.3	6.1	6.9	9.7	175	155
Edward Yardeni Prudential-Bache Securities	3.0	4.0	5.5	8.0	165	115
David Levine Sanford Bernstein	5.8	5.1	7.8	10.8	140	135
David Littmann Manufacturers Nat'l	2.4	4.8	7.3	9.6	157	107
Richard Rippe Dean Witter Reynolds	2-3.0	4.5-5.0	NA	NA	157	140-145
John Hekman Claremont Institute	3.3	3.5	5.7	8.5	150	135
Francis Schott Equitable Life	3.0	5.5	7.0	9.8	155	140

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Merrill leader in underwriting

By Brad Rudin

NEW YORK — Merrill Lynch Capital Markets clung to its top-ranked position in the domestic underwriting rankings for the first half, but lost some of its lead over second-ranked Salomon Brothers Inc.

Although new-issue volume picked up in the second quarter, volume for the first half lagged that for the same period last year. Total domestic volume stood at $143.8 billion in the first half of 1988, down 9% from the $158.2 billion in the first half of 1987, according to data provided by IDD Information Services Inc., New York.

Domestic debt volume sagged 1%, to $124.3 billion from $125.6 billion a year earlier. Common stock volume, still feeling the effects of Oct. 19, skidded about 38% to $16 billion from $25.6 billion.

The demand for capital in capacity-strained, export-oriented industries and an increase in debt-financed corporate takeovers lifted debt volume in the second quarter, according to Salomon Brothers research.

A steepening yield curve in April and May encouraged corporate borrowers to rely on commercial paper and bank loans, but a 40 basis-point drop in corporate yields in June brought issuers back to the bond market, the Salomon report said.

Increased volume in the debt market works to Salomon's advantage in the league tables because of the firm's traditional domination of the bond business. Salomon emerged as the biggest underwriter of corporate debt in the first half, after finishing in second place below Merrill in the first quarter.

Merrill took 15.1% of the total domestic underwriting business in the first half compared with Salomon's 14%; in the first quarter, Merrill had a 17.2% slice compared with Salomon's 14.3%, according to IDD.

Merrill's underwriting volume in the first half of 1988 resulted from such issues as the Templeton Global Income Fund ($1.1 billion), Mobil Oil Canada Ltd. ($500 million), The CIT Group Holdings Inc. ($500 million) and Chrysler Financial Corp. ($300 million).

Merrill's ability to finish 1988 on top depends in part on the pace of corporate debt issuance, said

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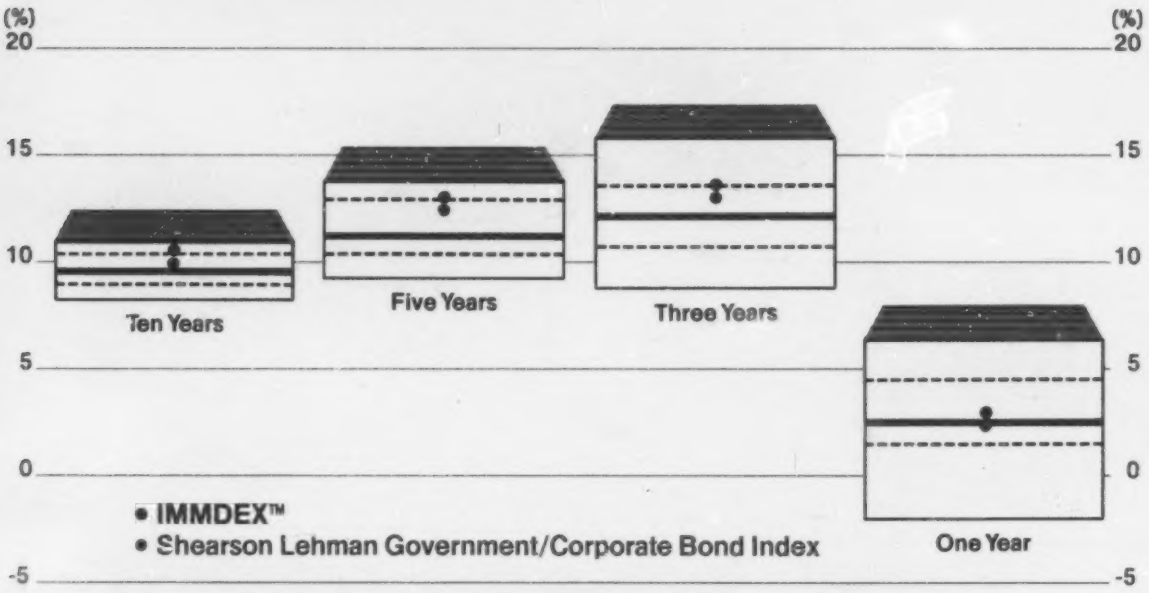

Bond fund total rates of return for periods ended December 31, 1987. Source SEI.

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CORRECTIONS & CLARIFICATIONS

- **Kennedy Associates Inc.**, Seattle, profiled in the May 23 issue, has $1.606 billion in real estate investments. The firm should have been 25th on the list of the largest managers ranked by equity real estate assets with $800 million and 12th on the list of the largest managers ranked by mortgage-backed securities with $726 million.
- **Michigan National Investment Corp.** is a subsidiary of **Independence One Investment Services**. Michigan National was identified incorrectly in Independence One's profile in the May 23 issue. Another Independence One subsidiary, **Morison Asset Management**, is a balanced and fixed-income manager. Its style was identified incorrectly in the May 23 issue.
- **Metropolitan Life Insurance Co.** will continue to do sale-leasebacks on its own, but also will work in cooperation on such transactions with United Trust Fund, a Miami-based sale-leaseback firm. In a June 13 article, a spokeswoman for United Trust Fund said Metropolitan Life's sale-leaseback business would be referred to United Trust.
- **Bankers Trust Co. — Investment Management Group** was omitted from a list of managers using fixed-income futures in the June 13 issue.
- **Erich Weissenberger's** name was spelled incorrectly in the June 27 story on Favia, Hill & Associates Inc.